

**Application of Pennsylvania-American Water Company for the Acquisition
of the Wastewater Collection, Conveyance and Treatment System
Owned and Operated by Towamencin Township and Towamencin Municipal Authority
(collectively “Towamencin”)**

Docket No. A-2023-3039900

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

19. Cost of Service.

a. Provide a copy of the seller’s two most recent audited financial statements.

RESPONSE: a. See attached -- the seller’s two most recent audited financial statements (fiscal years ended December 31, 2020 and December 31, 2021). Both financial statements are attached as **Appendix A-19-a.1**, for Towamencin Municipal Authority, and **Appendix A-19-a.2**, for Towamencin Township.

**TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2020 and 2019

INTRODUCTORY SECTION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
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YEARS ENDED DECEMBER 31, 2020 AND 2019

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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of the Authority
Towamencin Municipal Authority
Lansdale, Pennsylvania

We have audited the accompanying financial statements of the Towamencin Municipal Authority, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Towamencin Municipal Authority'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 an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 opinion.

To the Board of the Authority
Towamencin Municipal Authority
Lansdale, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Towamencin Municipal Authority as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 17 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 an opinion on the financial statements that collectively comprise the Towamencin Municipal Authority's basic financial statements. The Schedule of Operating Expenses, Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Operating Expenses, Budget and Actual 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 Schedule of Operating Expenses, Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maillie LLP

Limerick, Pennsylvania
October 1, 2021

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

The Towamencin Municipal Authority's (the "Authority") discussion and analysis is intended to give a brief narrative overview of the Authority's financial activities for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the detailed information that is furnished in the financial statements and the notes to the financial statements that follow this discussion.

FINANCIAL HIGHLIGHTS

The Authority continues to be in an excellent financial position. Assets exceeded liabilities by \$25 million to \$8 million. Included in our assets is \$1.1 million in restricted accounts to be used for future capital improvements to our treatment facilities.

The Authority's financial situation remained fairly constant between fiscal years 2020 and 2019.

The Authority maintains a rolling five-year plan for capital projects that will keep our facilities operating productively and efficiently. According to data reviewed at our most recent planning session, it appears that the Authority will have enough funds in our restricted accounts and available under our infrastructure loan to finance the projects planned through 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Authority. The components of the report include the independent auditors' report, management's discussion and analysis, basic financial statements and notes that pertain to those statements.

The independent auditors' report briefly describes the audit process and renders an opinion as to how accurately the financial statements represent the financial position of the Authority.

Management's Discussion and Analysis (MD&A) is prepared by Authority management to provide a narrative introduction and overview as well as an analysis of some key data that is presented in the basic financial statements. The MD&A also addresses any other currently known facts, decisions, or conditions that may have a significant effect on our future financial position.

The basic financial statements include the statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and the notes to the basic financial statements.

- The *statements of net position* compare the financial condition of the Authority between 2019 and 2020 by various line items within the asset, liability and net position categories.
- The *statements of revenues, expenses and changes in net position* show a comparison between 2019 and 2020 by various revenue and expense categories and, after factoring in depreciation, arrive at a net position figure for the end of the year.

TOWAMENCIN MUNICIPAL AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

- The *statements of cash flows* compare 2019 and 2020 by cash received and payments made in various Operating, Capital and Investment categories.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition. The notes can be found immediately following the basic financial statements in this report.

In addition to the basic financial statements and accompanying notes, the required supplementary information presents a budgetary comparison schedule to demonstrate the Authority's compliance with the 2020 budget.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The analysis below focuses on net position and changes in net position of the Authority's business-type activities.

Condensed Statements of Net Position (In Thousands)
December 31, 2020, 2019 and 2018

	December 31,		Current Year Variance		December 31,
	2020	2019	Increase (Decrease)	%	
ASSETS					
Current and other assets	\$ 1,816	\$ 2,147	\$ (331)	-15.42%	\$ 2,485
Capital assets, net	23,156	24,010	(854)	-3.56%	24,790
TOTAL ASSETS	\$ 24,972	\$ 26,157	\$ (1,185)	-4.53%	\$ 27,275
LIABILITIES AND NET POSITION					
LIABILITIES					
Current and other liabilities	\$ 262	\$ 297	\$ (35)	-11.78%	\$ 134
Notes payable	7,599	8,026	(427)	-5.32%	8,431
TOTAL LIABILITIES	7,861	8,323	(462)	-5.55%	8,565
NET POSITION					
Net investment in capital assets	15,557	15,984	(427)	-2.67%	16,360
Restricted for capital expenditures	1,108	1,611	(503)	-31.22%	1,951
Unrestricted	446	239	207	86.61%	399
TOTAL NET POSITION	17,111	17,834	(723)	-4.05%	18,710
TOTAL LIABILITIES AND NET POSITION	\$ 24,972	\$ 26,157	\$ (1,185)	-4.53%	\$ 27,275

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

*Condensed Statements of Revenues, Expenses and
Changes in Net Position (In Thousands)
December 31, 2020, 2019 and 2018*

	December 31,		Current Year Variance		December 31, 2018
	2020	2019	Increase (Decrease)	%	
OPERATING REVENUES					
Operating service charges	\$ 2,902	\$ 2,681	\$ 221	8.24%	\$ 2,638
Sludge removal reimbursements	348	217	131	60.37%	228
Pump station reimbursement	143	-	143	100.00%	-
Tapping fees	102	-	102	100.00%	-
Grant Income	72	-	72	100.00%	-
Miscellaneous income	104	-	104	100.00%	-
Annual year-end adjustment	65	(3)	68	-2266.67%	36
TOTAL OPERATING REVENUES	3,736	2,895	841	29.05%	2,902
OPERATING EXPENSES					
Administration	447	318	129	40.57%	285
Physical plant/general	519	476	43	9.03%	516
Operations	1,691	1,274	417	32.73%	1,246
Maintenance	913	856	57	6.66%	872
Depreciation	1,323	1,311	12	0.92%	1,299
TOTAL OPERATING EXPENSES	4,893	4,235	658	15.54%	4,218
OPERATING LOSS	(1,157)	(1,340)	183	13.66%	(1,316)
NONOPERATING REVENUES (EXPENSES), net					
	434	433	1	0.23%	457
NET LOSS BEFORE CONTRIBUTIONS	(723)	(907)	184	20.29%	(859)
CAPITAL CONTRIBUTIONS	-	31	(31)		13
CHANGE IN NET POSITION	(723)	(876)	\$ 153		(846)
NET POSITION AT BEGINNING OF YEAR					
	17,834	18,710			19,556
NET POSITION AT END OF YEAR	\$ 17,111	\$ 17,834			\$ 18,710

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

Analysis

Historically, the Authority has offset some expenses with revenues coming in. In 2020, this practice changed and these monies were recorded as revenue as opposed to an offset of expense as in years past. This explains the 100% variances from 2019 to 2020 for Pump station reimbursements, Tapping fees, Grant Income, and Miscellaneous income (all increases). Sludge removal reimbursements are up 60.37% as more sludge was hauled into the Authority in 2020 versus 2019. Operating Expenses saw some large variances in 2020 versus 2019 as well – 40.57% increase in Administration expense and 32.73% increase in Operations expense. Salaries, wages, benefits, and chemicals comprise the bulk of these increases. Overtime was up significantly on 2020 due to COVID creating the need to vary employee schedules to avoid all employees potentially becoming ill at the same time and having no one to run the plant. There were also administrative staffing changes and vacancies requiring consultants to fill in temporarily in 2020. This has been addressed by utilizing Township staff to perform the financial functions and some administrative functions beginning in 2021.

Economic Factors

The Towamencin Municipal Authority primarily serves Towamencin Township. Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 18,440 and 7,640 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale. Towamencin Municipal Authority also serves a few residential areas and commercial customers in some these outlying municipalities. Towamencin Township residents are charged \$375 per EDU annually. Rates charged to outlying municipality residents are \$665 per EDU, \$450 per EDU, \$425 per EDU, and \$375 per EDU. Commercial properties are billed a minimum fee of \$375 per year plus a charge of \$.03842 per cubic foot of water usage over 9,760 cf annually. Towamencin Township bills and collects sewer rental fees and subsequently pays the Towamencin Township Municipal Authority an operating service charge quarterly to fund expenses.

Next Year's Budget

The Towamencin Township Municipal Authority board and staff consider many factors when establishing budget appropriations. The sewer rental fees charged will remain unchanged for 2021.

On the revenue side, the Towamencin Township Municipal Authority has increased the 2021 budget by approximately \$230,000 for the operating service charge collected from the Township due to anticipated increased operating expenses. Areas of anticipated increased operating expense include administration, maintenance, and operations expense. Salaries, wages, benefits, and chemicals comprise the majority of the expense increase. Since budget is based on a look at prior year actual and 2020 actual expenses were higher than 2019, the 2021 budget reflects these increases in expense. The 2021 budget also includes \$55,000 in capital costs for the three pump stations the Municipal Authority owns, operates, and maintains.

Despite budgeting challenges created by present-day economic conditions, the Towamencin Township Municipal Authority strives to provide the same high level of service to all areas as in past years.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives and disburses. If you have questions about this report or need additional information, please contact the Manager at 2225 Kriebel Road, Lansdale, Pennsylvania 19446-5019.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 439,939	\$ 511,798
Cash restricted for capital improvements	1,108,751	1,610,953
Accounts receivable	267,768	23,590
Property, plant and equipment, net of accumulated depreciation of \$35,954,479 (2020) and \$34,630,765 (2019)	<u>23,156,023</u>	<u>24,010,273</u>
TOTAL ASSETS	<u>\$ 24,972,481</u>	<u>\$ 26,156,614</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Note payable	\$ 436,000	\$ 427,000
Accounts payable	214,347	183,295
Accrued expenses	19,429	22,209
Accrued operating service charge adjustment	21,699	86,506
Developers' escrow	6,516	4,518
Noncurrent liabilities		
Note payable	<u>7,163,000</u>	<u>7,599,000</u>
TOTAL LIABILITIES	<u>7,860,991</u>	<u>8,322,528</u>
NET POSITION		
Net investment in capital assets	15,557,023	15,984,273
Restricted for capital expenditures	1,108,751	1,610,953
Unrestricted	<u>445,716</u>	<u>238,860</u>
TOTAL NET POSITION	<u>17,111,490</u>	<u>17,834,086</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 24,972,481</u>	<u>\$ 26,156,614</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION
 YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Operating service charges		
Towamencin Township	\$ 2,902,098	\$ 2,681,254
Sludge removal reimbursements	348,326	217,143
Pump station reimbursement	142,724	-
Tapping fees	102,342	-
Grant Income	71,776	-
Miscellaneous income	103,902	-
Annual year-end adjustment	64,807	(3,425)
TOTAL OPERATING REVENUES	<u>3,735,975</u>	<u>2,894,972</u>
OPERATING EXPENSES		
Administration	446,530	318,012
Physical plant/general	518,536	475,829
Operations	1,691,400	1,274,397
Maintenance	912,978	854,626
TOTAL OPERATING EXPENSES	<u>3,569,444</u>	<u>2,922,864</u>
OPERATING GAIN (LOSS) BEFORE DEPRECIATION	166,531	(27,892)
DEPRECIATION	<u>1,323,714</u>	<u>1,311,367</u>
OPERATING LOSS	<u>(1,157,183)</u>	<u>(1,339,259)</u>
NONOPERATING REVENUES (EXPENSES)		
Capital service charges	590,035	621,330
Interest income	7,587	27,892
Interest expense	(163,035)	(174,330)
Issuance costs	-	(42,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>434,587</u>	<u>432,892</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(722,596)	(906,367)
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>30,780</u>
CHANGE IN NET POSITION	(722,596)	(875,587)
NET POSITION AT BEGINNING OF YEAR	<u>17,834,086</u>	<u>18,709,673</u>
NET POSITION AT END OF YEAR	<u>\$ 17,111,490</u>	<u>\$ 17,834,086</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 3,426,990	\$ 2,888,561
Payments to suppliers	(1,500,709)	(1,234,049)
Payments to employees, including fringe benefits and payroll taxes	<u>(2,038,464)</u>	<u>(1,529,584)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(112,183)</u>	<u>124,928</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital service charges	590,035	621,330
Capital contributions	-	30,780
Purchases of capital assets	(469,464)	(531,353)
Principal paid on debt	(427,000)	(447,000)
Interest paid on debt	<u>(163,036)</u>	<u>(174,330)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(469,465)</u>	<u>(500,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>7,587</u>	<u>27,892</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(574,061)	(347,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,122,751</u>	<u>2,470,504</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,548,690</u>	<u>\$ 2,122,751</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (1,157,183)	\$ (1,339,259)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	1,323,714	1,311,367
Increase in accounts receivable	(244,178)	(9,836)
Increase (decrease) in		
Accounts payable	31,051	158,820
Accrued expenses	(2,780)	411
Accrued operating service charge adjustment	(64,807)	3,425
Developers' escrow	<u>2,000</u>	<u> </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (112,183)</u>	<u>\$ 124,928</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION

Towamencin Municipal Authority (Formerly Upper Gwynedd - Towamencin Municipal Authority) (the "Authority") is a public corporation organized on June 12, 1964, under the enabling state legislation (Municipality Authorities Act of 1945).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a Proprietary Fund's obligations. The principal operating revenues of the Authority are sewer service and tapping fees. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Property, Plant and Equipment

The Authority defines property, plant and equipment as assets with an initial individual or project cost equal to or greater than \$2,000 that have an estimated useful life in excess of one year.

Property, plant and equipment are stated at cost. A provision for the depreciation of fixed assets has been recorded effective in the year 1975.

The Authority is depreciating plant assets over a period of 40 years and equipment over periods of five to ten years.

Expenditures for maintenance, repairs and minor replacements are expensed as incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020 AND 2019

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, money market funds and certificates of deposit. All Authority deposits are entirely insured (FDIC) or collateralized under a pooled asset program to secure public deposits, as required under Commonwealth of Pennsylvania law.

As of December 31, 2020, \$1,369,444 of the Authority's bank balance of \$1,624,042 was exposed to custodial credit risk as follows:

Insured	\$ 254,598
Uninsured and collateralized with securities held by the pledging bank's trust departments not in the Authority's name	<u>1,369,444</u>
	<u>\$ 1,624,042</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority follows state statute as it related to custodial credit risk.

Cash and cash equivalents are summarized as follows:

	<u>Bank Balances</u>		<u>Carrying Amount</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS				
Operating	\$ 505,509	\$ 655,561	\$ 439,939	\$ 511,798
RESTRICTED				
Capital improvements	<u>1,118,533</u>	<u>1,618,359</u>	<u>1,108,751</u>	<u>1,610,953</u>
	<u>\$ 1,624,042</u>	<u>\$ 2,273,920</u>	<u>\$ 1,548,690</u>	<u>\$ 2,122,751</u>

Other

The Authority has received contributed capital which is restricted to the purposes for which the funds were contributed. Towamencin Township has contributed funds for the cost of constructing and maintaining a pump station located within its geographic boundaries. Also, developers and others within the Towamencin Township have paid tapping fees to the Authority. The unspent portion of these contributions and accrued interest thereon are reflected as restricted assets on the Authority's statements of net position.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020 AND 2019

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Balance January 1, 2019	Additions/ Deletions	Balance December 31, 2019	Additions/ Deletions	Balance December 31, 2020
Capital assets not being depreciated					
Construction in progress	\$ 24,478	\$ 132,547	\$ 157,025	\$ (24,438)	\$ 132,587
Capital assets being depreciated					
Sewer plant and additions	53,936,349	339,441	54,275,790	493,902	54,769,692
Sewer system					
Pump station and interceptor	2,851,484	-	2,851,484	-	2,851,484
Other maintenance equipment	1,227,217	59,365	1,286,582	-	1,286,582
Office equipment	70,157	-	70,157	-	70,157
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>58,085,207</u>	<u>398,806</u>	<u>58,484,013</u>	<u>493,902</u>	<u>58,977,915</u>
Accumulated depreciation					
Sewer plant and additions	(30,480,287)	(1,148,283)	(31,628,570)	(1,160,630)	(32,789,200)
Sewer system					
Pump station and interceptor	(2,110,587)	(61,742)	(2,172,329)	(61,739)	(2,234,068)
Other maintenance equipment	(659,914)	(100,568)	(760,482)	(100,572)	(861,054)
Office equipment	(68,610)	(774)	(69,384)	(773)	(70,157)
TOTAL ACCUMULATED DEPRECIATION	<u>(33,319,398)</u>	<u>(1,311,367)</u>	<u>(34,630,765)</u>	<u>(1,323,714)</u>	<u>(35,954,479)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>24,765,809</u>	<u>(912,561)</u>	<u>23,853,248</u>	<u>(829,812)</u>	<u>23,023,436</u>
CAPITAL ASSETS, net	<u>\$ 24,790,287</u>	<u>\$ (780,014)</u>	<u>\$ 24,010,273</u>	<u>\$ (854,250)</u>	<u>\$ 23,156,023</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE E - DEFERRED COMPENSATION PLAN

The Authority has a deferred compensation plan for its employees. The plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salaries which are excluded from federal taxable income. A maximum contribution of up to \$19,000 can be contributed and deferred under the plan. The contributions are invested with an outside trustee.

NOTE F - EMPLOYEE PENSION PLAN

The Authority provides pension benefits for its full-time employees through a defined contribution money purchase pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus earnings on plan investments.

The Authority contributes 3.5% of each eligible employee's compensation to the plan. Each eligible employee may also contribute up to 21.5% of their compensation. The contributions made by the Authority on behalf of each employee and the earnings allocated to their accounts become 100% vested upon eligibility after two years of service. Authority contributions may not be distributed to the employee until age 65, except for death or disability.

The Authority's contributions in 2020 and 2019 were \$36,316 and \$29,075, respectively. Retirement benefits may be obtained at age 59 1/2.

NOTE G - SERVICE AGREEMENT

An operating service charge based on the Authority's operating budget is payable in quarterly installments by Towamencin Township to the Authority's operating account.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE G - SERVICE AGREEMENT (Continued)

An operating service charge based on the Authority's operating budget is payable in quarterly installments by Towamencin Township to the Authority's operating account.

The operating service charge adjustment for the years ended December 31, 2020 and 2019, applying the accrual basis, is computed as follows:

	<u>2020</u>	<u>2019</u>
ALLOCATION CALCULATION		
Current year's operating service charge payments	\$ 2,902,098	\$ 2,681,254
Sludge removal reimbursements	348,326	217,143
Pump station reimbursement	142,724	-
Miscellaneous income	103,902	-
TOTAL OPERATING REVENUE	<u>3,497,050</u>	<u>2,898,397</u>
Current year's total operating costs	3,569,444	2,922,864
Less earnings on investments	7,587	27,892
NET OPERATING COSTS ALLOCATED	<u>3,561,857</u>	<u>2,894,972</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, UNDER	(64,807)	3,425
Beginning cumulative operating service charge adjustment balance, as previously reported	<u>86,506</u>	<u>83,081</u>
ENDING CUMULATIVE OPERATING SERVICE CHARGE ADJUSTMENT BALANCE AVAILABLE	<u>\$ 21,699</u>	<u>\$ 86,506</u>

NOTE H - NOTE PAYABLE

On May 13, 2015, the Authority issued Guaranteed Revenue Note, Series of 2015, in the maximum aggregate principal amount of \$9,300,000. On July 26, 2019, The Authority refunded the Series of 2015 Note by the issuance of the Guaranteed Sewer Revenue Notes, 2019 series in the aggregate par amount of \$8,026,000.

The issue is to (1) refinance the current refunding of the 2015 Notes and (2) pay the costs of issuance and fund the 2019 Project which will benefit and contribute to the health and general welfare of the Township's residents.

As a continued part of this agreement, Towamencin Township entered into a Guaranty Agreement for the timely payment of the principal and interest due on this note. Principal payments are due annually ranging from \$427,000 to \$584,000 through May 2035 at an interest rate of 2.098%

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020 AND 2019

NOTE H - NOTE PAYABLE (Continued)

Note payable activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note payable	\$ 8,026,000	\$	-	\$	(427,000)	\$	7,599,000	\$ 436,000

Note payable activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
Note payable	\$ 8,431,000	\$	8,026,000	\$	(8,431,000)	\$	8,026,000

The future annual payments required are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 436,000	\$ 154,091
2022	445,000	144,834
2023	455,000	135,375
2024	464,000	125,719
2025	474,000	115,862
2026-2030	2,524,000	423,998
2031-2035	<u>2,801,000</u>	<u>144,490</u>
	<u>\$ 7,599,000</u>	<u>\$ 1,244,369</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget Positive (Negative)
OPERATING REVENUES			
Operating service charges			
Towamencin Township	\$ 2,892,871	\$ 2,902,098	\$ 9,227
Sludge removal reimbursements	180,000	348,326	168,326
Pump station reimbursement	-	142,724	142,724
Tapping fees	-	102,342	102,342
Grant income	-	71,776	71,776
Miscellaneous income	-	103,902	103,902
Annual year-end adjustment	86,506	64,807	(21,699)
TOTAL OPERATING REVENUES	<u>3,159,377</u>	<u>3,735,975</u>	<u>576,598</u>
OPERATING EXPENSES			
Administration	297,350	446,530	(149,180)
Physical plant/general	508,500	518,536	(10,036)
Operations	1,323,485	1,691,400	(367,915)
Maintenance	1,030,042	912,978	117,064
TOTAL OPERATING EXPENSES	<u>3,159,377</u>	<u>3,569,444</u>	<u>(410,067)</u>
OPERATING GAIN BEFORE DEPRECIATION	-	166,531	166,531
DEPRECIATION	-	<u>1,323,714</u>	<u>(1,323,714)</u>
OPERATING LOSS	-	<u>(1,157,183)</u>	<u>(1,157,183)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital service charges	-	590,035	590,035
Interest income	-	7,587	7,587
Interest expense	-	<u>(163,035)</u>	<u>(163,035)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>434,587</u>	<u>434,587</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	-	(722,596)	(722,596)
CAPITAL CONTRIBUTIONS	-	-	-
CHANGE IN NET POSITION	\$ <u>-</u>	(722,596)	\$ <u>(722,596)</u>
NET POSITION AT BEGINNING OF YEAR		<u>17,834,086</u>	
NET POSITION AT END OF YEAR		<u>\$ 17,111,490</u>	

SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
 SCHEDULE OF OPERATING EXPENSES
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2020

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
OPERATING EXPENSES			
Administration			
Salaries and wages	\$ 189,895	\$ 99,960	\$ (89,935)
Employer benefits	36,928	22,090	(14,838)
Office supplies	10,515	5,000	(5,515)
Professional fees	171,568	126,500	(45,068)
Telephone	11,568	22,000	10,432
Postage	394	800	406
Advertising and printing	2,691	2,000	(691)
Contracted services	-	2,000	2,000
Administrative expenses	22,971	17,000	(5,971)
TOTAL ADMINISTRATION	<u>446,530</u>	<u>297,350</u>	<u>(149,180)</u>
Physical plant/general			
Fuel	3,794	8,500	4,706
Safety equipment	5,961	15,000	9,039
Security	2,841	2,000	(841)
General insurance	117,095	125,000	7,905
Electricity	359,675	310,000	(49,675)
Natural gas	13,766	13,000	(766)
Trash removal	4,344	3,000	(1,344)
Water	777	3,000	2,223
Cleaning and uniform services	6,260	9,000	2,740
Equipment replacement	4,023	20,000	15,977
TOTAL PHYSICAL PLANT/ GENERAL	<u>518,536</u>	<u>508,500</u>	<u>(10,036)</u>
SUBTOTAL OPERATING EXPENSES FORWARD	<u>\$ 965,066</u>	<u>\$ 805,850</u>	<u>\$ (159,216)</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
SCHEDULE OF OPERATING EXPENSES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 965,066	\$ 805,850	\$ (159,216)
Operations			
Salaries and wages	578,537	435,000	(143,537)
Employer benefits	165,578	163,485	(2,093)
Chemicals	548,225	383,000	(165,225)
Lab supplies	17,873	15,000	(2,873)
Computer services	12,308	17,000	4,692
Lab services	55,352	60,000	4,648
Sludge removal	312,537	245,000	(67,537)
Education/training expenses	990	5,000	4,010
TOTAL OPERATIONS	<u>1,691,400</u>	<u>1,323,485</u>	<u>(367,915)</u>
Maintenance			
Salaries and wages	460,827	521,300	60,473
Employer	155,511	198,742	43,231
Grounds	6,910	15,000	8,090
Cleaning supplies	7,322	8,000	678
Repair and maintenance supplies	134,195	115,000	(19,195)
Vehicle maintenance	8,962	10,000	1,038
Telephone	1,705	-	(1,705)
Major repairs	223	12,000	11,777
Contracted services	96,254	100,000	3,746
Education/training expenses	880	5,000	4,120
Equipment replacement	40,189	45,000	4,811
TOTAL MAINTENANCE	<u>912,978</u>	<u>1,030,042</u>	<u>117,064</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,569,444</u>	<u>\$ 3,159,377</u>	<u>\$ (410,067)</u>

**TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)**

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

INTRODUCTORY SECTION

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of Directors
Towamencin Township Authority
Lansdale, Pennsylvania

Opinions

We have audited the financial statements of the governmental activity and major fund of the Towamencin Township Authority (a component unit of Towamencin Township) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Towamencin Township Authority financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activity and fund of the Towamencin Township Authority as of December 31, 2021 and 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Towamencin Township Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Towamencin Township Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Towamencin Township Authority's ability to continue as a going concern for one year after the financial statement date.

To the Board of Directors
Towamencin Township Authority
Lansdale, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Towamencin Township Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Towamencin Township Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors
Towamencin Township Authority
Lansdale, Pennsylvania

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maille LLP

Limerick, Pennsylvania
July 15, 2022

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

The discussion and analysis of the Towamencin Authority of Towamencin Township, Pennsylvania, provides an overview of the Authority's performance for the years ended December 31, 2021 and 2020. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The authority has been inactive since 2014.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. These statements offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the Authority's profitability and credit worthiness.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and the changes in them. The reader can think of the Authority's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, an increase or decrease in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, the reader will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEARS ENDED DECEMBER 31, 2021 AND 2020

Our analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the Authority.

Table 1
Net Position
December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL NET POSITION	\$ <u>3,226</u>	\$ <u>3,226</u>	\$ <u>3,208</u>

Table 2 shows the change in net position for the years ended December 31, 2021, 2020 and 2019.

Table 2
Changes in Net Position
December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
General			
Investment earnings	\$ -	\$ 18	\$ 67
NET POSITION AT BEGINNING OF YEAR	<u>3,226</u>	<u>3,208</u>	<u>3,141</u>
NET POSITION AT END OF YEAR	<u>\$ 3,226</u>	<u>\$ 3,226</u>	<u>\$ 3,208</u>

The Authority was incorporated by the Township of Towamencin on January 28, 1998 under the authority of the Municipal Authorities Act of 1945. The Towamencin Authority is a financing Authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township's governing body. No projects were assigned during the period from 2014 to 2021.

NEXT YEAR'S PROJECTS

No projects have been specified for 2022.

REQUEST FOR INFORMATION

This financial report was designed to provide a general overview of Towamencin Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to: 1090 Troxel Road, Lansdale, PA 19446.

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
GOVERNMENTAL FUND BALANCE SHEETS/
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ <u>3,226</u>	\$ <u>3,226</u>
FUND BALANCE/NET POSITION		
Unassigned/unrestricted	\$ <u>3,226</u>	\$ <u>3,226</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
 GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE/NET POSITION
 YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Investment earnings	\$ <u> -</u>	\$ <u> 18</u>
CHANGE IN FUND BALANCE/ NET POSITION	-	18
FUND BALANCE/NET POSITION AT BEGINNING OF YEAR	<u> 3,226</u>	<u> 3,208</u>
FUND BALANCE/NET POSITION AT END OF YEAR	\$ <u><u> 3,226</u></u>	\$ <u><u> 3,226</u></u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Towamencin Township Authority (the "Authority") is a public corporation incorporated on January 28, 1998 by Towamencin Township (the "Township") under the authority of the Municipal Authorities Act of 1945. The Authority is a financing authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township's governing body.

The financial statements include all operations of the Authority. The Authority is required to include in its financial statements reporting any separately administered organizations determined to be includable in its financial reporting entity. There are no other entities that should be included in the accompanying financial statements. The Authority is considered a component unit of Towamencin Township.

Basis of Accounting

The Authority keeps its books on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred.

Revenue Recognition

The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

Use of Estimates

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

TOWAMENCIN TOWNSHIP AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE B - DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2021 and 2020, the carrying amount of the Authority's deposits was \$3,226 and the bank balance was \$3,226, all of which are in the Pennsylvania Local Government Investment Trust (PLGIT) and are uninsured and uncollateralized. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share and is rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

TOWAMENCIN TOWNSHIP
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

INTRODUCTORY SECTION

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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of Supervisors
Towamencin Township
Kulpsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Towamencin Township as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Towamencin Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Towamencin Township as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors
Towamencin Township
Kulpsville, Pennsylvania

Other Matters

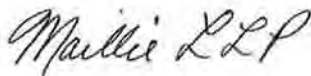
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on page 69, pension plan information on pages 70 through 75 and postemployment benefits other than pension information on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Limerick, Pennsylvania
July 15, 2021

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

Our discussion and analysis of Towamencin Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Township's financial statements which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the calendar year by \$35,880,821 (net position).
- As of December 31, 2020, the Township's governmental funds reported combined ending balances of \$2,955,327.
- The Township reduced outstanding debt with principal payments of \$2,059,000, including the Towamencin Municipal Authority principal payment of \$427,000. There are no remaining variable interest rate notes with the Delaware Valley Regional Financing Authority. All notes had been converted to low fixed rates at December 31, 2020.
- As of December 31, 2020, the Township's proprietary funds reported combined ending balances of \$3,896,953 for sewer related operations. Sewer rental fees did not increase in 2020.
- The Township continued to offer the Homestead and Farmstead exclusions and maintained the real estate tax rate of 3.808 mills for 2020.
- During 2020, new residential construction was minimal with just a few new homes being added to the Township.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Township's financial position and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future. The required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

The Township's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2020

Government-Wide Financial Statements - The government-wide financial statements provide a broad overview of Towamencin Township's finances, in a manner similar to a private-sector business. Please note that the Towamencin Township Infrastructure Authority, although considered a major fund of the Township, is discussed in detail in a separate audit. 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 government'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 result in cash flows only in future calendar periods (e.g., uncollected taxes). Both of 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).

- **Governmental Activities:** Most of the Township's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government, public safety, highway and streets, and culture and recreation.
- **Business-Type Activities:** The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sewer services.

Fund Financial Statements - The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds begin on page 77. All of the funds of the Township can be divided into three categories: governmental, proprietary and fiduciary.

- **Governmental Funds:** Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term.

- **Proprietary Funds:** When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise) utilize the accrual basis of accounting; the same method used by private sector businesses. Enterprise fund report activities that provide supplies and services to the general public, such as sewer services.

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2020

- **Fiduciary Funds:** The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has two pension funds--Police and Non-Uniform. In addition, the Township maintains escrow accounts for land developments. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to the Basic 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 beginning on page 27 of this report.

Other Information

This information includes combining financial statements for non-major governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as is done with major funds, on the governmental fund financial statements. This section also contains the Township's required supplementary pension information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question, "How did the Township do financially during 2020?". These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them during the year. This change in net position is important because it informs the reader whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors could include changes in the Township's property tax base and the condition of Township's assets.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including general government, public safety, streets and highway, and culture and recreation. Real estate taxes, earned income taxes, permits, fees and charges for services finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to cover the cost of the sanitary sewer system in the Township.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets exceeded liabilities by \$35,880,821 at the close of 2020. This is an increase of \$1,261,453 from the previous year.

Table 1
Condensed Statement of Net Position
December 31, 2020 and 2019

	2020		2019		2020 Totals	2019 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
ASSETS						
Cash and investments	\$ 3,047,141	\$ 4,321,069	\$ 3,010,982	\$ 5,104,365	\$ 7,368,210	\$ 8,115,347
Other assets	577,025	723,936	566,775	616,340	1,300,961	1,183,115
Capital assets	47,114,814	710,585	48,098,564	731,181	47,825,399	48,829,745
TOTAL ASSETS	50,738,980	5,755,590	51,676,321	6,451,886	56,494,570	58,128,207
DEFERRED OUTFLOWS OF RESOURCES						
	2,104,670	-	2,426,245	-	2,104,670	2,426,245
LIABILITIES						
Other liabilities	651,530	18,637	1,039,188	117,823	670,167	1,157,011
Long-term liabilities	17,296,107	1,840,000	21,042,556	1,970,000	19,136,107	23,012,556
TOTAL LIABILITIES	17,947,637	1,858,637	22,081,744	2,087,823	19,806,274	24,169,567
DEFERRED INFLOWS OF RESOURCES						
	2,912,145	-	1,765,517	-	2,912,145	1,765,517
NET POSITION						
Net investment in capital assets	34,741,528	710,585	33,901,493	731,181	35,452,113	34,632,674
Restricted	1,311,865	-	1,502,596	-	1,311,865	1,502,596
Unrestricted	(4,069,525)	3,186,368	(5,148,784)	3,632,882	(883,157)	(1,515,902)
TOTAL NET POSITION	\$ 31,983,868	\$ 3,896,953	\$ 30,255,305	\$ 4,364,063	\$ 35,880,821	\$ 34,619,368

The largest portion of the Township's net position, \$35,452,113 is reflected in its investment in capital assets (land, buildings, and equipment) less any related debt, which is still outstanding. The Township uses these assets to provide services to residents; consequently, these assets are not available for future spending, and the resources needed to repay this debt must be provided from other sources. Cash and investments in the amount of \$7,368,210 represent 13% of the Township's total assets.

The net position in the governmental activities increased \$1,728,563.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

The net position of the business-type activities decreased \$467,110. The decrease was due to continued investments of infiltration & inflow reduction efforts within the Township's sanitary sewer system as required by DEP.

Table 2
Condensed Statement of Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020		2019		2020 Totals	2019 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
REVENUES						
Program revenues						
Charges for services	\$ 487,270	\$ 4,509,039	\$ 754,463	\$ 4,369,948	\$ 4,996,309	\$ 5,124,411
Operating grants and contributions	1,597,453	1,238,151	1,770,414	1,174,953	2,835,604	2,945,367
Capital grants and contributions	557,477	-	252,471	-	557,477	252,471
General revenues						
Taxes	7,877,451	-	7,707,574	-	7,877,451	7,707,574
Cable TV franchise tax	346,901	-	358,781	-	346,901	358,781
Investment earnings	14,911	18,954	54,152	48,852	33,865	103,004
Other	49,545	-	74,111	-	49,545	74,111
TOTAL REVENUES	10,931,008	5,766,144	10,971,966	5,593,753	16,697,152	16,565,719
EXPENSES						
General government	1,706,636	-	2,112,739	-	1,706,636	2,112,739
Public safety	5,063,169	-	5,592,693	-	5,063,169	5,592,693
Public works, highway and streets	3,760,840	-	4,045,931	-	3,760,840	4,045,931
Culture and recreation, parks	792,404	-	650,779	-	792,404	650,779
Interest	241,713	-	323,011	-	241,713	323,011
Sewer operations	-	3,870,937	-	3,685,638	3,870,937	3,685,638
TOTAL EXPENSES	11,564,762	3,870,937	12,725,153	3,685,638	15,435,699	16,410,791
TRANSFERS, net	2,362,317	(2,362,317)	1,341,000	(1,341,000)	-	-
CHANGE IN NET POSITION	\$ 1,728,563	\$ (467,110)	\$ (412,187)	\$ 567,115	\$ 1,261,453	\$ 154,928

Governmental Activities

As indicated by the governmental program expenses, public safety programs and highways/streets services account for approximately 44% and 32%, respectively, of the total expenditures of the Township's governmental activities. General administration and parks and recreation account for approximately 22% combined. Long-term debt interest accounts for 2% of the total expenses.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

Real estate taxes, earned income tax and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 30.5% and 3.7% of total revenues, respectively. The earned income tax and the local services tax provide 37.9% of the total revenues. The Township relies on these taxes to furnish the quality of life to citizens and businesses to which the Board of Supervisors has always been committed. Below are the last six years of Real Estate, Real Estate Transfer, Earned Income and Local Service tax receipts:

	2020	2019	2018	2017	2016	2015
Real estate tax	\$ 3,336,214	\$ 3,319,340	\$ 3,345,821	\$ 3,298,644	\$ 3,264,691	\$ 3,300,150
Transfer tax	403,887	497,868	343,946	541,120	447,171	689,806
Earned income tax	3,761,089	3,538,471	3,290,800	3,236,595	3,261,538	3,115,146
Local service tax	376,261	351,895	337,217	334,228	326,953	311,138

Business-Type Activities

During 2015, Upper Gwynedd Township withdrew from the jointly operated Authority with Towamencin Township (UGTMA) consisting of a sewage treatment plant and collection system.

The treatment plant is operated by the Towamencin Municipal Authority (TMA), a component unit of the Township. Treatment plant operations are financed by operating service charges paid by Towamencin Township. The Authority's debt service requirements are also guaranteed by the Township.

Residential properties in the Township pay sewer rent in the amount of \$375 per year. Commercial properties are billed twice a year, in arrears, based on water usage. A connection/tapping fee assessed in accordance with recent state law modifications is charged when a property ties into the system.

During 2020, the Township received tapping fees for 62 residential and 1 commercial EDUs. The total amount received was \$72,494.

Financial Analysis of the Township's Funds

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2020, the Township's governmental funds reported combined ending balances of \$2,955,327, an increase of \$446,865 as compared to the prior year.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

The **General Fund** is the chief operating fund of Towamencin Township. As of December 31, 2020, the total fund balance of the General Fund was \$1,272,514, all of which is unassigned. The General Fund balance itself increased \$1,254,388 in 2020. The majority of this increase was the result of higher than anticipated inter-fund transfers in for 2020. Key factors attributing to 2020 results overall are as follows:

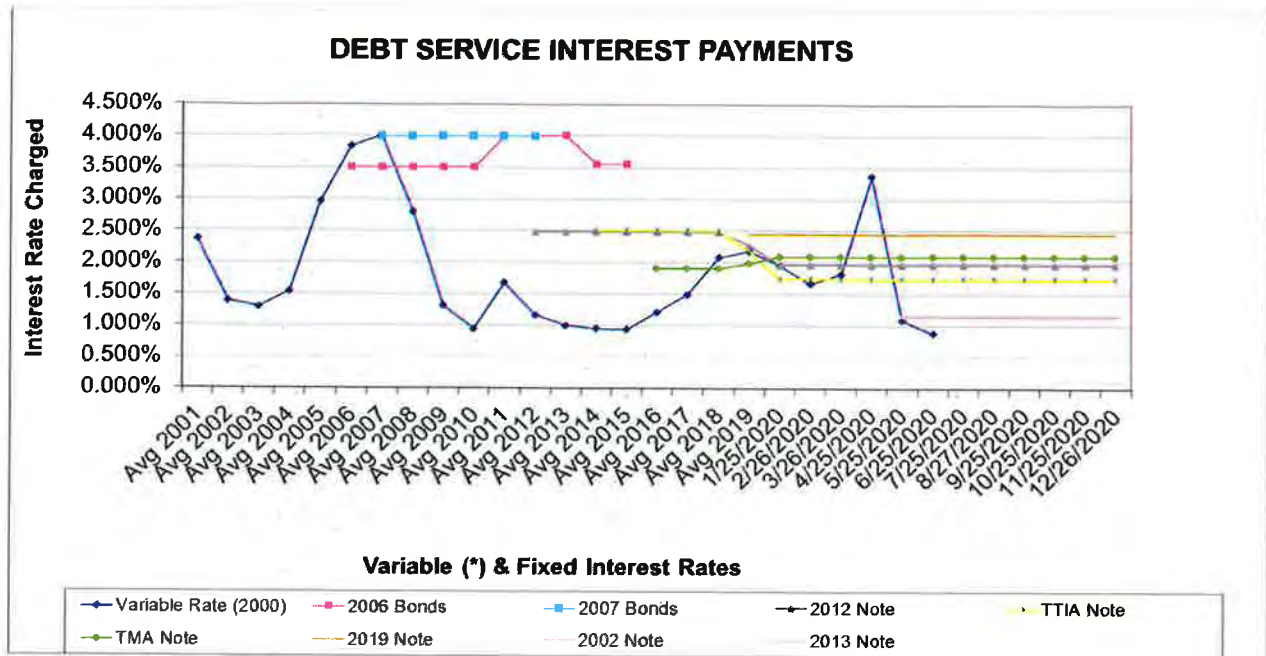
- Total General Fund Revenues exceeded budget by \$108,524 largely in part due to an overall increase in ACT 511 Taxes.
- The budgeted General Fund Expenses fell short of budget by \$384,807. With the uncertainty associated with the pandemic and the effect it would have on revenues, spending was scrutinized and limited as much as possible for much of the year.

The **Traffic Impact Fund** was created in 1992 subsequent to the enactment of Act 209 of 1991. The impact fee is calculated upon (1) estimated peak afternoon trips generated by future development and (2) Township roadway improvements required to meet the increased demand of traffic. The Roadway Sufficiency Analysis, amended in 1996, resulted in the current per trip fee of \$2,198. These impact fees can be used to fund engineering, right-of-way acquisition and construction of traffic improvements in the Act 209 area.

In 2020, the Township received \$120,933 in Traffic Impact fees.

The **Debt Service Fund** provides payment for all principal and interest on Township general obligation bonds and notes, and capital lease payments. In addition, a transfer is made to the Towamencin Township Infrastructure Authority equal to its annual debt service. A real estate tax (.807 mils) is assessed for this purpose.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020



As of December 31, 2020, the fund balance of the Debt Service Fund was \$124,978. This is the amount available for future debt service payments.

The **Towamencin Township Infrastructure Authority** is a component unit of the Township. The Authority is charged with projects by resolution of the Township. Its current responsibility is the engineering and right-of-way acquisition for the Forty Foot Road project. The Pennsylvania Department of Transportation (PennDOT) was responsible for construction.

Revenues in 2020 included \$20 in interest earnings, \$23,831 in reimbursements from PennDOT and net transfers from the Township in the amount of \$574,110.

In 2015, the Authority advance refunded general revenue bonds issued in 2006 with Notes from First National Bank and Trust Company of Newtown with a fixed interest rate of 2.5%. In 2019, the First National Bank and Trust Company of Newtown Notes were refunded and now reside with DVRFA and have a fixed interest rate of 1.743%. Debt Service expense paid in 2020 was \$573,998.

The **General Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from an annual transfer from the General Fund, the sale of fixed assets and various grants. In 2020, the transfer from the general fund totaled \$175,000 and the sale of assets generated \$975. Grant monies received totaled \$479,155. Some expenditures in this fund included 3 Police vehicles, Public Works building fire alarm system, Rittenhouse Road culvert replacement work, and Forty Foot Road widening work.

The **Park Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from real estate taxes, grants, impact fees, and from the sale of fixed assets. Monies spent in this fund in 2020 were used to re-tile a portion of the pool, complete park master plan engineering, and do work on the Kriebel Road trail connector.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

Capital Assets and Debt Administration

Capital Assets - The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2020 totals \$47,114,814 and \$710,585, respectively (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, machinery and equipment, automobiles and trucks, sanitary sewer, and infrastructure improvements. Infrastructure includes roads, bridges, and traffic signals. The business-type activities are the sanitary sewer lines, pumping stations and equipment.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 4,959,269	\$ -
Leasehold improvements	-	823,864
Construction in progress	1,037,747	-
Vehicles	2,251,057	-
Land improvements	7,811,972	-
Buildings and improvements	9,428,614	-
Machinery and equipment	3,765,075	36,372
Infrastructure	59,955,727	-
Accumulated depreciation	<u>(42,094,647)</u>	<u>(149,651)</u>
TOTAL	<u>\$ 47,114,814</u>	<u>\$ 710,585</u>

This year's major additions included:

GOVERNMENTAL ACTIVITIES

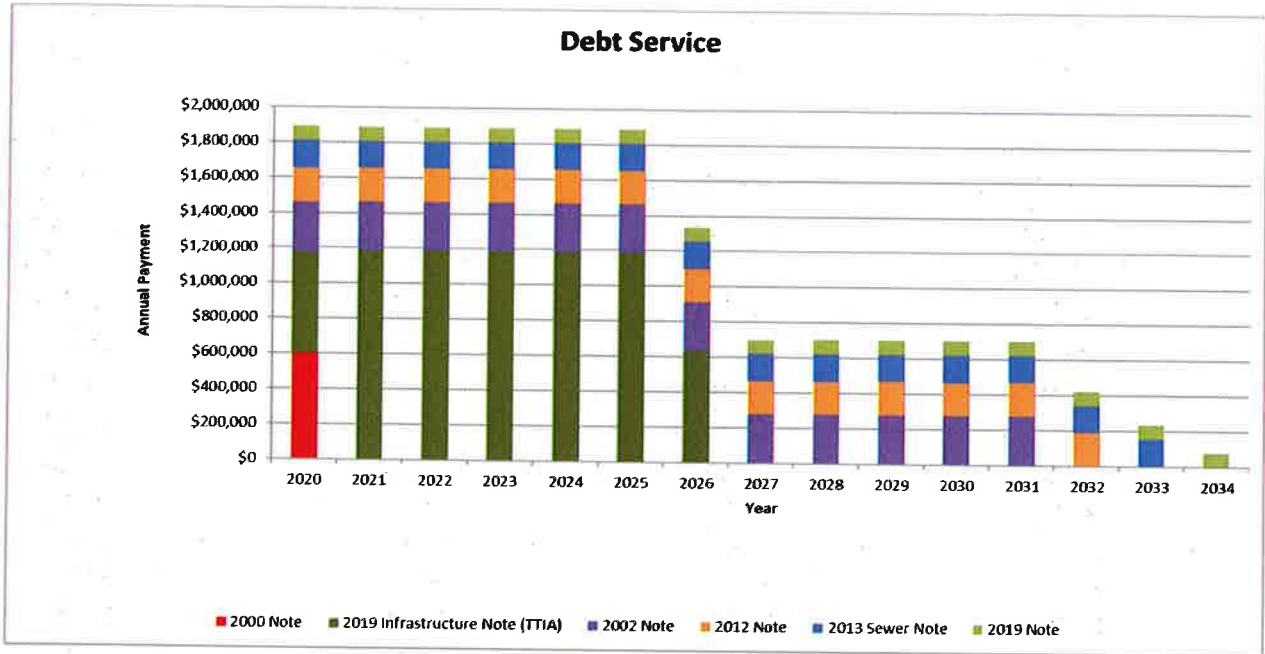
Rittenhouse Road Culvert Re-Build	\$208,274
(3) Police Vehicles	112,129
Forty Foot Road Widening	658,355

Additional information about the Township's capital assets can be found in Note E on pages 41 and 42 of this report.

Long-Term Debt - At year-end the Township had \$12,090,000 in outstanding bonds and notes compared to \$13,661,500 last year for governmental activities. The Infrastructure Authority's debt of \$6,278,000 is included in these amounts. The principal that is due within one year for governmental activities is \$1,543,000.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

The Chart below outlines the payment structure of the outstanding bonds and notes for the Township and the Infrastructure Authority including interest.



Additional information about the Township's long-term debt can be found in Note G on pages 43 through 48 of this report.

Economic Factors

Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 18,440 and 7,640 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale.

The top three major employers in the Township are:

1. North Penn School District
2. Greene Tweed & Company, Inc.
3. Living Branches

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

The assessed valuations of the three largest taxpayers are:

1.	Towamencin Apt. Joint Venture Jacobs Woods Apartments	\$26,381,000
2.	KCI Lansdale Investors, LP Ave Lansdale Apartments	\$20,700,000
3.	Souderton Industrial Development Authority Dock Woods Community, Inc. Dock Terrace Nursing Home	\$13,666,300

NEXT YEAR'S BUDGET

The elected officials of Towamencin Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2021 real estate tax rate will increase to 4.558 mills versus 3.808 mills in 2020. The homestead and farmstead exemptions will remain at \$45,000. Therefore, a "typical" household with a 151,000 real estate tax assessment will pay \$483 in real estate taxes. Approximately 4,500 homeowners in the Township participate in the homestead exemption program.

The sewer rental fee will remain unchanged at \$375 for 2021. Property owners with on-lot sewer systems will continue to be charged annually to cover the costs of inspections required by the Commonwealth of Pennsylvania. For many years, the Township had been successful in receiving grant funds from DEP to offset the cost of inspections. These grant funds have been continually declining. Consequently, the Board began collecting fees in 2012 to cover the cost of the program. The Board increased the inspection interval from three to four years for on-lot systems resulting in a decrease of the annual fee from \$40 to \$30 beginning 2017. This fee will continue through 2021.

On the expense side, the Township plans to focus efforts on the repairs needed to the Skippack Creek Interceptor. The 2021 budget provides \$500,000 for that purpose. Additional capital expenses include \$1,650,000 for ADA ramps, curbing necessary for paving, and road paving along with \$1,396,940 for Forty Foot Road Pinch point widening. Other projects included are storm water management work, building improvements, traffic signal work, some equipment, IT upgrades, Veteran's Park master plan work, Kriebel connector trail engineering, pool tile replacement, and recycling receptacles for parks.

Despite budgeting challenges created by present-day economic conditions, the Township strives to provide the same high level of services to its residents as in past years.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Brooke Neve, Interim Township Manager, Towamencin Township, PO Box 303, Kulpsville, PA 19443 or by telephone at 215-368-7602.

General information relating to Towamencin Township, Pennsylvania can be found at the Township's website www.towamencin.org

Brooke Neve
Interim Township Manager/Finance Director

TOWAMENCIN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Towamencin Municipal Authority
ASSETS				
Cash and cash equivalents	\$ 3,047,141	\$ 4,321,069	\$ 7,368,210	\$ 1,548,690
Accounts receivable	425,240	662,878	1,088,118	267,768
Taxes receivable	191,143	-	191,143	-
Internal balances	(39,358)	39,358	-	-
Due from component unit	-	21,700	21,700	-
Capital assets				
Land	4,959,269	-	4,959,269	-
Construction in progress	1,037,747	-	1,037,747	-
Land improvements	7,811,972	-	7,811,972	-
Buildings and improvements	9,428,614	-	9,428,614	-
Machinery and equipment	3,765,075	36,372	3,801,447	-
Vehicles	2,251,057	-	2,251,057	-
Infrastructure	59,955,727	-	59,955,727	-
Sewer system and plant	-	823,864	823,864	59,110,502
Accumulated depreciation	(42,094,647)	(149,651)	(42,244,298)	(35,954,479)
TOTAL ASSETS	50,738,980	5,755,590	56,494,570	24,972,481
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources, pension activity	1,726,151	-	1,726,151	-
Deferred outflows of resources, OPEB activity	378,519	-	378,519	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,104,670	-	2,104,670	-
LIABILITIES				
Accounts payable and accrued expenses	587,716	18,637	606,353	233,776
Payroll and withholding taxes payable	62,182	-	62,182	-
Due to primary government	-	-	-	21,699
Escrow deposits	-	-	-	6,516
Accrued interest	1,632	-	1,632	-
Long-term liabilities				
Portion due or payable within one year				
Bonds and note payable	1,543,000	132,000	1,675,000	436,000
Capital lease payable	137,366	-	137,366	-
Portion due or payable after one year				
Bonds and note payable	10,547,000	1,708,000	12,255,000	7,163,000
Capital lease payable	145,920	-	145,920	-
Compensated absences	32,097	-	32,097	-
Total OPEB liability	3,798,134	-	3,798,134	-
Net pension liability	1,092,590	-	1,092,590	-
TOTAL LIABILITIES	17,947,637	1,858,637	19,806,274	7,860,991
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	2,051,053	-	2,051,053	-
Deferred inflows of resources, OPEB activity	861,092	-	861,092	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,912,145	-	2,912,145	-
NET POSITION				
Net investment in capital assets	34,741,528	710,585	35,452,113	15,557,023
Restricted	1,311,865	-	1,311,865	1,108,751
Unrestricted	(4,069,525)	3,186,368	(883,157)	445,716
TOTAL NET POSITION	\$ 31,983,868	\$ 3,896,953	\$ 35,880,821	\$ 17,111,490

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,706,636	\$ 39,066	\$ 431,820	\$ -
Public safety	5,063,169	327,338	243,712	-
Parks and recreation	792,404	-	368,525	-
Highways	3,760,840	120,866	553,396	557,477
Interest on long-term debt	241,713	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	11,564,762	487,270	1,597,453	557,477
BUSINESS-TYPE ACTIVITIES				
Sewer Fund	3,707,991	4,509,039	1,122,276	-
Sewer Capital Fund	162,946	-	115,875	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,870,937	4,509,039	1,238,151	-
TOTAL PRIMARY GOVERNMENT	\$ 15,435,699	\$ 4,996,309	\$ 2,835,604	\$ 557,477
COMPONENT UNIT				
Towamencin Municipal Authority	\$ 5,056,193	\$ 4,326,010	\$ -	\$ -
GENERAL REVENUES				
Taxes				
Real estate taxes, net				
Local services tax				
Real estate transfer tax				
Earned income tax				
Cable franchise fees				
Earnings on investments				
Miscellaneous				
TRANSFERS, net				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Totals	Towamencin Municipal Authority
\$ (1,235,750)	\$ -	\$ (1,235,750)	\$ -
(4,492,119)	-	(4,492,119)	-
(423,879)	-	(423,879)	-
(2,529,101)	-	(2,529,101)	-
(241,713)	-	(241,713)	-
<u>(8,922,562)</u>	<u>-</u>	<u>(8,922,562)</u>	<u>-</u>
-	1,923,324	1,923,324	-
<u>-</u>	<u>(47,071)</u>	<u>(47,071)</u>	<u>-</u>
-	1,876,253	1,876,253	-
<u>(8,922,562)</u>	<u>1,876,253</u>	<u>(7,046,309)</u>	<u>-</u>
-	-	-	(730,183)
3,336,214	-	3,336,214	-
376,261	-	376,261	-
403,887	-	403,887	-
3,761,089	-	3,761,089	-
346,901	-	346,901	-
14,911	18,954	33,865	7,587
49,545	-	49,545	-
2,362,317	(2,362,317)	-	-
<u>10,651,125</u>	<u>(2,343,363)</u>	<u>8,307,762</u>	<u>7,587</u>
1,728,563	(467,110)	1,261,453	(722,596)
<u>30,255,305</u>	<u>4,364,063</u>	<u>34,619,368</u>	<u>17,834,086</u>
<u>\$ 31,983,868</u>	<u>\$ 3,896,953</u>	<u>\$ 35,880,821</u>	<u>\$ 17,111,490</u>

TOWAMENCIN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Traffic Impact Fund	Debt Service Fund
ASSETS			
Cash and cash equivalents	\$ 1,418,452	\$ 36,523	\$ 125,417
Accounts receivable	192,617	10,700	-
Taxes receivable, net	181,969	-	4,896
Due from other funds	-	3,913,601	-
TOTAL ASSETS	\$ 1,793,038	\$ 3,960,824	\$ 130,313
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 468,676	\$ -	\$ 1,321
Due to other funds	39,358	-	-
TOTAL LIABILITIES	508,034	-	1,321
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	12,490	-	4,014
FUND BALANCES			
Restricted			
Highway and street projects	-	-	-
Street lights	-	-	-
Parks and recreation	-	-	-
Capital projects	-	-	-
Debt service	-	-	124,978
Committed			
Public art	-	-	-
Community pool	-	-	-
Traffic improvements	-	3,960,824	-
Assigned			
Capital projects	-	-	-
Unassigned	1,272,514	-	-
TOTAL FUND BALANCES	1,272,514	3,960,824	124,978
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,793,038	\$ 3,960,824	\$ 130,313

See accompanying notes to the basic financial statements.

<u>Infrastructure Authority</u>	<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 41,243	\$ 916,783	\$ 508,723	\$ 3,047,141
25,135	-	196,788	425,240
-	-	4,278	191,143
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,913,601</u>
<u>\$ 66,378</u>	<u>\$ 916,783</u>	<u>\$ 709,789</u>	<u>\$ 7,577,125</u>
\$ -	\$ 13,114	\$ 166,787	\$ 649,898
3,913,601	-	-	3,952,959
<u>3,913,601</u>	<u>13,114</u>	<u>166,787</u>	<u>4,602,857</u>
<u>-</u>	<u>-</u>	<u>2,437</u>	<u>18,941</u>
-	-	250,447	250,447
-	-	2,197	2,197
-	-	30,574	30,574
-	903,669	-	903,669
-	-	-	124,978
-	-	147,765	147,765
-	-	25,360	25,360
-	-	-	3,960,824
-	-	84,222	84,222
<u>(3,847,223)</u>	<u>-</u>	<u>-</u>	<u>(2,574,709)</u>
<u>(3,847,223)</u>	<u>903,669</u>	<u>540,565</u>	<u>2,955,327</u>
<u>\$ 66,378</u>	<u>\$ 916,783</u>	<u>\$ 709,789</u>	<u>\$ 7,577,125</u>

TOWAMENCIN TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>2,955,327</u>
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:</p>	
Land	4,959,269
Construction in progress	1,037,747
Land improvements, net of accumulated depreciation of \$2,662,661	5,149,311
Buildings and improvements, net of accumulated depreciation of \$3,318,634	6,109,980
Machinery and equipment, net of accumulated depreciation of \$2,832,442	932,633
Vehicles, net of accumulated depreciation of \$1,568,002	683,055
Infrastructure, net of accumulated depreciation of \$31,712,908	<u>28,242,819</u>
	<u>47,114,814</u>
Deferred inflows and outflows of resources related to pension activities are not financial resources and, therefore, are not reported in the Governmental Funds.	<u>(324,902)</u>
Deferred inflows and outflows of resources related to OPEB activities are not financial resources and, therefore, are not reported in the Governmental Funds.	<u>(482,573)</u>
Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>18,941</u>
Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2020, are:	
Accrued interest on bonds	(1,632)
Bonds and note payable	(12,090,000)
Capital leases	(283,286)
Compensated absences	(32,097)
Total OPEB liability	(3,798,134)
Net pension liability	<u>(1,092,590)</u>
	<u>(17,297,739)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 31,983,868</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Traffic Impact Fund	Debt Service Fund
REVENUES			
Real estate taxes, net	\$ 2,202,397	\$ -	\$ 711,604
Earned income taxes	3,760,368	-	-
Local services tax	376,261	-	-
Real estate transfer tax	403,887	-	-
Intergovernmental revenues	504,372	-	-
Licenses and permits	593,219	-	-
Fines and forfeits	49,644	-	-
Charges for services	32,293	-	-
Departmental earnings	-	120,866	-
Investment income and rents	36,403	67	-
Miscellaneous	70,605	-	-
TOTAL REVENUES	8,029,449	120,933	711,604
EXPENDITURES			
General government	1,831,077	-	-
Public safety	5,036,030	-	-
Parks and recreation	8,100	-	-
Highways	1,080,323	-	-
Debt service			
Principal retirement	32,900	-	1,292,116
Interest paid	-	-	129,772
Capital outlay	-	-	-
TOTAL EXPENDITURES	7,988,430	-	1,421,888
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	41,019	120,933	(710,284)
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(1,030,600)	(202,736)	(574,110)
Operating transfers in	2,243,969	-	1,138,736
Proceeds from sale of fixed assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,213,369	(202,736)	564,626
NET CHANGE IN FUND BALANCES	1,254,388	(81,803)	(145,658)
FUND BALANCES AT BEGINNING OF YEAR	18,126	4,042,627	270,636
FUND BALANCES AT END OF YEAR	\$ 1,272,514	\$ 3,960,824	\$ 124,978

See accompanying notes to the basic financial statements.

<u>Infrastructure Authority</u>	<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 434,100	\$ 3,348,101
-	-	-	3,760,368
-	-	-	376,261
-	-	-	403,887
23,830	-	1,349,525	1,877,727
-	-	-	593,219
-	-	-	49,644
-	-	-	32,293
-	-	3,000	123,866
20	4,099	1,082	41,671
-	230,932	-	301,537
<u>23,850</u>	<u>235,031</u>	<u>1,787,707</u>	<u>10,908,574</u>
34,040	-	8,211	1,873,328
-	-	318,654	5,354,684
-	445,777	833,623	1,287,500
-	-	-	1,080,323
462,000	-	36,600	1,823,616
112,110	-	-	241,882
-	-	1,163,668	1,163,668
<u>608,150</u>	<u>445,777</u>	<u>2,360,756</u>	<u>12,825,001</u>
<u>(584,300)</u>	<u>(210,746)</u>	<u>(573,049)</u>	<u>(1,916,427)</u>
-	(57,652)	(224,500)	(2,089,598)
574,110	-	495,100	4,451,915
-	-	975	975
<u>574,110</u>	<u>(57,652)</u>	<u>271,575</u>	<u>2,363,292</u>
(10,190)	(268,398)	(301,474)	446,865
<u>(3,837,033)</u>	<u>1,172,067</u>	<u>842,039</u>	<u>2,508,462</u>
<u>\$ (3,847,223)</u>	<u>\$ 903,669</u>	<u>\$ 540,565</u>	<u>\$ 2,955,327</u>

TOWAMENCIN TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 446,865
 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 depreciation (\$2,678,257) exceeds capital outlays (\$1,705,011) in the current period.	 (973,246)
 The net effect of various miscellaneous transactions involving capital assets (i.e. sales and disposals) is to decrease net assets.	 (10,504)
 Revenues in the statement of activities that do not provide current resources are not recorded as revenues in the funds.	 (11,166)
 The issuance of long-term debt (e.g., bonds, note, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal repayments	1,823,785
 Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment combines the net changes of these balances.	
Compensated absences	9,712
OPEB expense	(128,788)
Pension expense	571,905
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$ <u>1,728,563</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	<u>Sewer Fund</u>	<u>Sewer Capital Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,387,575	\$ 1,933,494	\$ 4,321,069
Accounts receivable	626,020	58,558	684,578
Due from other funds	-	39,358	39,358
Capital assets	36,372	823,864	860,236
Accumulated depreciation	<u>(36,372)</u>	<u>(113,279)</u>	<u>(149,651)</u>
TOTAL ASSETS	<u>\$ 3,013,595</u>	<u>\$ 2,741,995</u>	<u>\$ 5,755,590</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 3,200	\$ 15,437	\$ 18,637
Current portion of note payable	<u>132,000</u>	<u>-</u>	<u>132,000</u>
TOTAL CURRENT LIABILITIES	<u>135,200</u>	<u>15,437</u>	<u>150,637</u>
NONCURRENT LIABILITIES			
Long-term note payable	<u>1,708,000</u>	<u>-</u>	<u>1,708,000</u>
TOTAL LIABILITIES	<u>1,843,200</u>	<u>15,437</u>	<u>1,858,637</u>
NET POSITION			
Net investment in capital assets	-	710,585	710,585
Unrestricted	<u>1,170,395</u>	<u>2,015,973</u>	<u>3,186,368</u>
TOTAL NET POSITION	<u>1,170,395</u>	<u>2,726,558</u>	<u>3,896,953</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,013,595</u>	<u>\$ 2,741,995</u>	<u>\$ 5,755,590</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
OPERATING REVENUES			
Sewer rents	\$ 5,631,315	\$ -	\$ 5,631,315
Connection fees	-	72,494	72,494
Operating grants and contributions	-	43,381	43,381
TOTAL OPERATING REVENUES	<u>5,631,315</u>	<u>115,875</u>	<u>5,747,190</u>
OPERATING EXPENSES			
Sewage disposal	3,653,723	109,259	3,762,982
Administration	28,000	33,091	61,091
TOTAL OPERATING EXPENSES	<u>3,681,723</u>	<u>142,350</u>	<u>3,824,073</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,949,592	(26,475)	1,923,117
DEPRECIATION			
OPERATING INCOME (LOSS)	<u>1,949,592</u>	<u>(47,071)</u>	<u>1,902,521</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	15,041	3,913	18,954
Interest expense	(26,268)	-	(26,268)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(11,227)</u>	<u>3,913</u>	<u>(7,314)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(1,093,819)	(1,268,498)	(2,362,317)
CHANGE IN NET POSITION	844,546	(1,311,656)	(467,110)
NET POSITION AT BEGINNING OF YEAR	<u>325,849</u>	<u>4,038,214</u>	<u>4,364,063</u>
NET POSITION AT END OF YEAR	<u>\$ 1,170,395</u>	<u>\$ 2,726,558</u>	<u>\$ 3,896,953</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,545,246	\$ 94,348	\$ 5,639,594
Payments to suppliers and others	<u>(3,708,520)</u>	<u>(214,739)</u>	<u>(3,923,259)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,836,726</u>	<u>(120,391)</u>	<u>1,716,335</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to)/from other funds	<u>(1,093,819)</u>	<u>(1,268,498)</u>	<u>(2,362,317)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on note payable	(130,000)	-	(130,000)
Interest paid on note payable	<u>(26,268)</u>	-	<u>(26,268)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(156,268)</u>	-	<u>(156,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	245,000	-	245,000
Investment income	15,041	3,913	18,954
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>260,041</u>	<u>3,913</u>	<u>263,954</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	846,680	(1,384,976)	(538,296)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,540,895</u>	<u>3,318,470</u>	<u>4,859,365</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,387,575</u>	<u>\$ 1,933,494</u>	<u>\$ 4,321,069</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,949,592	\$ (47,071)	\$ 1,902,521
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	20,596	20,596
Change in assets and liabilities			
Accounts receivable	(86,069)	(38,395)	(124,464)
Due from other funds	-	16,868	16,868
Accounts payable and accrued expenses	<u>(26,797)</u>	<u>(72,389)</u>	<u>(99,186)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,836,726</u>	<u>\$ (120,391)</u>	<u>\$ 1,716,335</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 584,927	\$ 1,094,757	\$ 1,679,684
Investments			
Government securities	954,575	-	954,575
Corporate bonds	575,127	-	575,127
Equity mutual funds	1,508,412	-	1,508,412
Common stocks	16,370,268	-	16,370,268
Other receivables	-	1,318	1,318
Prepaid expenses	77,033	-	77,033
	<u>20,070,342</u>	<u>1,096,075</u>	<u>21,166,417</u>
TOTAL ASSETS	\$ 20,070,342	\$ 1,096,075	\$ 21,166,417
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 28,391	\$ 28,391
NET POSITION			
Restricted for pensions	20,070,342	-	20,070,342
Held for developers	-	1,067,684	1,067,684
	<u>20,070,342</u>	<u>1,067,684</u>	<u>21,138,026</u>
TOTAL LIABILITIES AND NET POSITION	\$ 20,070,342	\$ 1,096,075	\$ 21,166,417

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 1,131,294	\$ -	\$ 1,131,294
Investment gain	2,162,193	-	2,162,193
Miscellaneous revenue	74,415	-	74,415
Payments from developers	-	734,526	734,526
TOTAL ADDITIONS	<u>3,367,902</u>	<u>734,526</u>	<u>4,102,428</u>
DEDUCTIONS			
Benefit payments to retired plan participants	926,792	-	926,792
Administrative	6,183	-	6,183
Payments to developers	-	470,796	470,796
TOTAL DEDUCTIONS	<u>932,975</u>	<u>470,796</u>	<u>1,403,771</u>
CHANGE IN NET POSITION	2,434,927	263,730	2,698,657
NET POSITION AT BEGINNING OF YEAR	<u>17,635,415</u>	<u>803,954</u>	<u>18,439,369</u>
NET POSITION AT END OF YEAR	<u>\$ 20,070,342</u>	<u>\$ 1,067,684</u>	<u>\$ 21,138,026</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Reporting Entity

Towamencin Township (the "Township") was created in 1728 and operates under the Second Class Township Code as prescribed by the Commonwealth of Pennsylvania. The Township's major services include safety, health and welfare, fire protection, parks and recreation and general administration.

For financial reporting purposes, Towamencin Township's primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component units, which are legally separate organizations for which the Township's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. Blended and Fiduciary component units are legally separate entities; however, they place a financial burden on the Township and the Township can impose its will on them. Thus, blended and fiduciary component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Units

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. Towamencin Township has two blended component units.

The Towamencin Township Infrastructure Authority (the "Infrastructure Authority") is considered a component unit of the Township. The Infrastructure Authority is a public corporation incorporated on January 9, 1997 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Infrastructure Authority is a financing authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Infrastructure Authority.

The Towamencin Authority ("TTA") is considered a component unit of the Township. The Towamencin Authority is a public corporation incorporated on March 3, 1998 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Towamencin Authority is organized for the purpose of undertaking certain projects, associated with land owned or leased by Towamencin Township, which have been specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Towamencin Authority.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Component Units

- The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board of trustees comprised of members appointed by the Township Supervisors and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.
- The Non-Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provides pensions for all non-uniformed employees of the Township. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board of trustees comprised of members appointed by the Township Supervisors and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

Discretely Presented Component Unit

In conformity with GAAP, the Towamencin Municipal Authority has been included in the reporting entity as a discretely presented component unit in a separate column in the financial statements to emphasize that it is legally separate from the Township. The Authority owns and operates the sewage treatment plant located on Kriebel Road and owns the sewer system in Towamencin Township, which is leased back to the Township for operation and maintenance. The Authority reports on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

Complete financial statements for the individual component units may be obtained at the Township's administrative offices.

Government-Wide and Fund Financial Statements

Government-Wide

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements excluded fiduciary activities such as pension and custodial funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements. Therefore, governmental fund financial statements included reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Internal activity is limited to interfund transfers, which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislations. The net position restricted for other purposes result from the sewer capital projects fund and the restrictions on their net position use.

Fund Financial Statements

Fund Financial Statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type. All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund, the traffic impact fund, the Infrastructure Authority fund, the debt service fund, and Fischer's Park Fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the highway aid fund, parks and recreation fund, fire fund, street light fund, park capital fund, public arts fund, pool fund, general capital fund, and Towamencin Authority fund.

The Township reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Traffic Impact Fund* is maintained to account for the accumulation of resources for acquisition of fixed assets.
- The *Debt Service Fund* accounts for proceeds of special revenue sources that are restricted to the repayment of debt.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Infrastructure Authority Fund* accounts for proceeds of special revenue sources that are restricted to expenditures for construction of infrastructure capital assets.
- The *Fischer's Park Fund* accounts for proceeds of special revenue sources that are restricted to capital projects.

The Township reports the following proprietary funds:

- The *Sewer Fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The *Sewer Fund* accounts for the Township's sewer system. The *Sewer Capital Fund* accounts for accumulation of resources to pay for capital improvements for the sewer operations.
- The Township, specifically its *Sewer Fund*, leases the sewage collection system, located within its geographic boundaries, from the Towamencin Municipal Authority (TMA). The *Sewer Fund* operates the sewer system and charges the owners of each property connected to the sewer system rents which shall be sufficient to pay (1) TMA service charges and operating expenses under the service agreement and (2) *Sewer Fund* operating expenses. TMA has agreed, pursuant to the service agreement, to treat and dispose of the sewage received from the sewage collection system.

Additionally, the government reports the following fund types:

- The *Pension Trust Funds* account for the activities of the Police and Non-Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.
- The *Custodial Fund* accounts for monies held by the Township on a purely custodial basis.

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 property and earned income tax revenue to be available if collected within 30 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Property tax and earned income tax receivables collected after 30 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The Measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concern determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are enterprise funds. These funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees. Operating expenses for the Township's enterprise funds include sewer disposal, supplies and administration costs. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Fund Balance

Deposits and Investments

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

With the exception of Pension Trust Funds, statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository under PA Act 72. Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2020, was in excess of the minimum requirements just described.

The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent. Investments for the Township, as well as for its component units, are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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 noncurrent portion on interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2020, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

For 2020, tax was levied on the assessed value of real estate at a total of 3.808 mills.

Other taxes levied in 2020 were real estate transfer taxes, earned income tax, and local service tax.

Capital Assets

Capital assets, which include property, land and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-45
Building and improvement	10-50
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	10-100

Compensated Absences

It is the Township's policy to permit certain employees to accumulate earned but unused vacation and comp time. The accumulation is subject to terms discussed in the collective bargaining agreements. Vacation and compensatory time is accrued when earned.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of any applicable bond premium or discount. Issuance costs are expensed as incurred.

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

Net Position and Fund Balance

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

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the entity, not restricted for any project or other purpose. Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

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

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the Township Manager or Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between expected and actual experience of the plans. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions and benefit payments made subsequent to the measurement date.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of the net difference between expected and actual experience of the plans and the net difference between projected and actual earnings on pension plan investments. The deferred inflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions and difference between expected and actual experience.

Use of Estimates in the Preparation of Financial Statements

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

Component Unit - Towamencin Municipal Authority

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a Proprietary Fund's obligations. The principal operating revenues of the Authority are sewer service and tapping fees. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Property, Plant and Equipment

The Authority defines property, plant and equipment as assets with an initial individual or project cost equal to or greater than \$2,000 that have an estimated useful life in excess of one year.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Property, plant and equipment are stated at cost. A provision for the depreciation of fixed assets has been recorded effective in the year 1975.

The Authority is depreciating plant assets over a period of 40 years and equipment over periods of five to ten years.

Expenditures for maintenance, repairs and minor replacements are expensed as incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

Annual budgets are adopted on a modified accrual basis of accounting for all Township funds, which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The Board of Township Supervisors each year, at least 30 days prior to adoption of the annual budget, begins preparation of a proposed budget for all funds for the fiscal year, which commences on the first day of January of each year, and by resolution appropriates, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted. The total appropriation shall not exceed the revenues estimated as available for the fiscal year.

Upon preparation of proposed budget, the Supervisors give public notice by advertisement in at least one newspaper of general circulation in the Township that the proposed budget will be available for public inspection. After the budget has been available for public inspection for 20 days, the Supervisors adopt the budget not later than the 31st day of December.

The Supervisors may at any time by resolution make supplemental appropriations for any lawful purposes from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing authorized by law.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Supervisors may take specific action to reserve or designate fund equity.

During the month of January, following any municipal election, the Supervisors may amend the budget and levy and tax rate to conform to its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in the General Government and Public Safety categories in the general fund by \$76,120 and \$12,907, respectively. These were funded by larger than expected revenues and accumulated fund balance.

Deficit Fund Balance

As of December 31, 2020, an accumulated deficit fund balance of \$3,847,223 exists in the Towamencin Township Infrastructure Fund. The deficit in the Infrastructure Fund will be eliminated when the assets are transferred to the Township.

NOTE C - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. At December 31, 2020, the carrying amount of the Township's deposits was \$9,047,894 and the bank balance was \$9,495,658. Of the bank balance, \$896,882 was covered by federal depository insurance, \$2,636,255 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name, and \$5,962,521 is held in state investment pools, which are uncollateralized and uninsured.

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations.

As of December 31, 2020, the Township had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Investment Maturities		
			Less Than 1 Year	1 to 5 Years	6 to 10 Years
FIDUCIARY FUNDS					
Government securities	\$ 954,575	\$ -	\$ 58,763	\$ 103,455	\$ 792,357
Corporate bonds	-	575,127	5,672	73,143	496,312
Equity mutual funds	-	1,508,412	-	-	-
Common stocks	-	16,370,268	-	-	-
TOTAL FIDUCIARY FUNDS	\$ 954,575	\$ 18,453,807	\$ 64,435	\$ 176,598	\$ 1,288,669

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note A. The government has a formal investment policy for credit risk. A portion of the Township's cash and cash equivalents is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The Township's cash and cash equivalents held in PLGIT as of December 31, 2020 was \$5,962,521. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2020, the Township did not have any Level 2 or Level 3 investments.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Component Unit - Towamencin Municipal Authority

Cash and cash equivalents consist of bank deposits, money market funds and certificates of deposit. All Authority deposits are entirely insured (FDIC) or collateralized under a pooled asset program to secure public deposits, as required under Commonwealth of Pennsylvania law. As of December 31, 2020, \$1,369,444 of the Authority's bank balance of \$1,624,042 was exposed to custodial credit risk.

Cash and cash equivalents are summarized as follows:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
CURRENT ASSETS		
Operating	\$ 505,509	\$ 439,939
RESTRICTED		
Capital improvements	<u>1,118,533</u>	<u>1,108,751</u>
	<u>\$ 1,624,042</u>	<u>\$ 1,548,690</u>

Other

The Authority has received contributed capital which is restricted to the purposes for which the funds were contributed. Towamencin Township has contributed funds for the cost of constructing and maintaining a pump station located within its geographic boundaries. Also, developers and others within the Towamencin Township have paid tapping fees to the Authority. The unspent portion of these contributions and accrued interest thereon are reflected as restricted assets on the Authority's statements of net position.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE D - RECEIVABLES

Receivables as of year-end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate are as follows:

	General Fund	Traffic Impact Fund	Debt Service Fund	Infrastructure Authority
Accounts receivable	\$ 192,617	\$ 10,700	\$ -	\$ 25,135
Taxes receivable	181,969	-	4,896	-
Sewer rent	-	-	-	-
Other receivable	-	-	-	-
	<u>\$ 374,586</u>	<u>\$ 10,700</u>	<u>\$ 4,896</u>	<u>\$ 25,135</u>

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, was as follows:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,959,269	\$ -	\$ -	\$ 4,959,269
Construction in process	1,113,160	872,813	(948,226)	1,037,747
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>6,072,429</u>	<u>872,813</u>	<u>(948,226)</u>	<u>5,997,016</u>
Capital assets being depreciated				
Land improvements	7,255,633	556,339	-	7,811,972
Infrastructure	59,955,727	-	-	59,955,727
Buildings and improvements	8,484,093	962,786	(18,265)	9,428,614
Machinery and equipment	3,596,886	211,111	(42,922)	3,765,075
Vehicles	2,264,671	50,188	(63,802)	2,251,057
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>81,557,010</u>	<u>1,780,424</u>	<u>(124,989)</u>	<u>83,212,445</u>
Accumulated depreciation				
Land improvements	(2,452,697)	(209,964)	-	(2,662,661)
Infrastructure	(29,921,978)	(1,790,930)	-	(31,712,908)
Buildings and improvements	(3,112,862)	(213,533)	7,761	(3,318,634)
Machinery and equipment	(2,583,462)	(291,902)	42,922	(2,832,442)
Vehicles	(1,459,876)	(171,928)	63,802	(1,568,002)
TOTAL ACCUMULATED DEPRECIATION	<u>(39,530,875)</u>	<u>(2,678,257)</u>	<u>114,485</u>	<u>(42,094,647)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>42,026,135</u>	<u>(897,833)</u>	<u>(10,504)</u>	<u>41,117,798</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 48,098,564</u>	<u>\$ (25,020)</u>	<u>\$ (958,730)</u>	<u>\$ 47,114,814</u>

<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	<u>Sewer Capital Fund</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
\$ -	\$ 196,788	\$ -	\$ -	\$ -	\$ 425,240
-	4,278	-	-	-	191,143
-	-	626,020	58,558	-	684,578
-	-	-	-	1,318	1,318
<u>\$ -</u>	<u>\$ 201,066</u>	<u>\$ 626,020</u>	<u>\$ 58,558</u>	<u>\$ 1,318</u>	<u>\$ 1,302,279</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Leasehold improvements	\$ 823,864	\$ -	\$ -	\$ 823,864
Machinery and equipment	36,372	-	-	36,372
TOTAL CAPITAL ASSETS BEING DEPRECIATED	860,236	-	-	860,236
Accumulated depreciation				
Leasehold improvements	(92,683)	(20,596)	-	(113,279)
Machinery and equipment	(36,372)	-	-	(36,372)
TOTAL ACCUMULATED DEPRECIATION	(129,055)	(20,596)	-	(149,651)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	731,181	(20,596)	-	710,585
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 731,181	\$ (20,596)	\$ -	\$ 710,585

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 283,808
Public safety	135,162
Parks and recreation	229,735
Highways	2,029,552
	\$ 2,678,257

Component Unit - Towamencin Municipal Authority

Property, plant and equipment consist of the following:

	Balance January 1, 2020	Additions/ Deletions	Balance December 31, 2020
Sewer plant and additions	\$ 54,275,790	\$ 493,902	\$ 54,769,692
Sewer system			
Pump station and interceptor	2,851,484	-	2,851,484
Other maintenance equipment	1,286,582	-	1,286,582
Construction in progress	157,025	(24,438)	132,587
Office equipment	70,157	-	70,157
	58,641,038	469,464	59,110,502
Accumulated depreciation	(34,630,765)	(1,323,714)	(35,954,479)
	\$ 24,010,273	\$ (854,250)	\$ 23,156,023

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds	Transfers	
			In	Out
GENERAL FUND	\$ -	\$ 39,358	\$ 2,243,969	\$ 1,030,600
TRAFFIC IMPACT FUND	3,913,601	-	-	202,736
DEBT SERVICE FUND	-	-	1,138,736	574,110
FISCHER'S PARK FUND	-	-	-	57,652
SPECIAL REVENUE FUNDS				
Fire Protection Fund	-	-	195,600	-
Parks and Recreation Fund	-	-	120,000	179,500
Pool Fund	-	-	59,500	-
TOTAL SPECIAL REVENUE FUNDS	-	-	375,100	179,500
CAPITAL PROJECT FUNDS				
General Capital Fund	-	-	-	25,000
Park Capital Fund	-	-	320,000	220,000
TOTAL CAPITAL PROJECT FUNDS	-	-	320,000	245,000
INFRASTRUCTURE AUTHORITY	-	3,913,601	574,110	-
ENTERPRISE FUNDS				
Sewer Fund	-	-	-	1,093,819
Sewer Capital Fund	39,358	-	-	1,268,498
TOTAL ENTERPRISE FUNDS	39,358	-	-	2,362,317
	<u>\$ 3,952,959</u>	<u>\$ 3,952,959</u>	<u>\$ 4,651,915</u>	<u>\$ 4,651,915</u>

NOTE G - LONG-TERM DEBT

General Obligation Notes and Bonds

The government issues general obligation notes and bonds to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes and bonds have been issued for the governmental activities only. Sewer Revenue Notes were issued for Wastewater System capital projects. The original amount of notes and bonds issued was \$27,982,000.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE G - LONG-TERM DEBT (Continued)

General obligation notes and bonds are direct obligations and pledge the full faith and credit of the government. These notes and bonds are generally issued as 20-30 year serial notes and bonds with varying amounts of principal maturing each year. General obligation notes and bonds and guaranteed sewer notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	1.2% - 2.5%	\$ 12,090,000
Business-type activities	1.0% - 4.0%	1,840,000
		<u>\$ 13,930,000</u>

Interest Rate Management: The Township has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs to participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

The significant terms of the interest rate swap were as follows:

Description	Date of Issue	Maturity Date	Principal Outstanding	Type of Note	Rate in Effect at Year-End	Market Value
GO Note	2002	2031	\$ 2,863,000	Fixed	1.1360%	\$ 470,371
GO Note	2012	2032	2,005,000	Fixed	1.9680%	329,408
GO Note	2019	2034	944,000	Fixed	2.4480%	155,093
Guaranteed Sewer Notes	2013	2033	1,840,000	Fixed	1.1570%	302,299

Interest Rate Risk: The Township has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Township elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15%. If the Township elects a fixed rate, the rate, with terms and conditions selected by the Township, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Township has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE G - LONG-TERM DEBT (Continued)

Basis Risk: The Township does not have a basis risk.

Credit Risk: The Township is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2020, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

Termination Risk: The Township is obligated to pay any Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA. In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment. The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township debt as of December 31, 2020, is shown in the table on the previous page.

In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

Rollover Risk: This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

Market Access Risk: The Township does not have this risk.

Debt service for general obligation bonds is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities. Any liabilities for compensated absences, net pension liabilities, and total OPEB liabilities are generally liquidated by the general fund.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE G - LONG-TERM DEBT (Continued)

Component Unit - Towamencin Municipal Authority

On May 13, 2015, the Authority issued Guaranteed Revenue Note, Series of 2015, in the maximum aggregate principal amount of \$9,300,000. On July 26, 2019, The Authority currently refunded the Series of 2015 Note by the issuance of the Guaranteed Sewer Revenue Notes, 2019 series in the aggregate par amount of \$8,026,000.

The issue is to (1) refinance the current refunding of the 2015 Notes and (2) pay the costs of issuance and fund the 2019 Project which will benefit and contribute to the health and general welfare of the Township's residents.

As a continued part of this agreement, Towamencin Township entered into a Guaranty Agreement for the timely payment of the principal and interest due on this note. Principal payments are due annually ranging from \$427,000 to \$584,000 through May 2035 at an interest rate of 2.098%.

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2020, are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 1,543,000	\$ 191,839	\$ 1,734,839
2022	1,570,000	165,471	1,735,471
2023	1,596,000	138,630	1,734,630
2024	1,624,000	111,330	1,735,330
2025	1,651,000	83,538	1,734,538
2026-2030	3,160,000	218,637	3,378,637
2031-2034	946,000	32,749	978,749
	<u>\$ 12,090,000</u>	<u>\$ 942,194</u>	<u>\$ 13,032,194</u>

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 132,000	\$ 21,289	\$ 153,289
2022	133,000	19,762	152,762
2023	135,000	18,223	153,223
2024	136,000	16,661	152,661
2025	138,000	15,087	153,087
2026-2030	716,000	51,093	767,093
2031-2034	450,000	10,460	460,460
	<u>\$ 1,840,000</u>	<u>\$ 152,575</u>	<u>\$ 1,992,575</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE G - LONG-TERM DEBT (Continued)

Year	Component Unit - Towamencin Municipal Authority		
	Principal	Interest	Totals
2021	\$ 436,000	\$ 154,091	\$ 590,091
2022	445,000	144,834	589,834
2023	455,000	135,375	590,375
2024	464,000	125,719	589,719
2025	474,000	115,862	589,862
2026-2030	2,524,000	423,998	2,947,998
2031-2035	2,801,000	144,490	2,945,490
	<u>\$ 7,599,000</u>	<u>\$ 1,244,369</u>	<u>\$ 8,843,369</u>

Certain equipment has been acquired under capital lease obligations to third-party lessors. The liabilities incurred through such arrangements are accounted for in the entity-wide statements as capital leases payable.

The following is an analysis of the leased assets included in property and equipment as of December 31, 2020:

Vehicles and equipment	\$ 1,545,991
Less accumulated depreciation	<u>(828,374)</u>
	<u>\$ 717,617</u>

The following is a schedule of the future minimum lease payments required under the lease obligations with their present value as of December 31, 2020:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2021	\$ 137,366	\$ 9,155	\$ 146,521
2022	141,921	4,598	146,519
2023	3,999	59	4,058
Total value of minimum lease payments	<u>\$ 283,286</u>	<u>\$ 13,812</u>	297,098
Less amount representing interest			<u>(13,812)</u>
Present value of minimum lease payments			<u>\$ 283,286</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE G - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Notes,					
Series of 2000	\$ 595,000	\$ -	\$ (595,000)	\$ -	\$ -
Series of 2002	3,105,000	-	(242,000)	2,863,000	245,000
Series of 2012	2,152,000	-	(147,000)	2,005,000	150,000
Promissory Note, Series of 2015	69,500	-	(69,500)	-	-
Series of 2019	1,000,000	-	(56,000)	944,000	57,000
Series of 2019 (TTIA)	6,740,000	-	(462,000)	6,278,000	1,091,000
TOTAL GENERAL OBLIGATION NOTES	13,661,500	-	(1,571,500)	12,090,000	1,543,000
Capital leases	535,571	-	(252,285)	283,286	137,366
Compensated absences	41,809	-	(9,712)	32,097	-
Net pension liability	2,490,294	-	(1,397,704)	1,092,590	-
Net OPEB liability	4,311,750	-	(513,616)	3,798,134	-
TOTAL LONG-TERM LIABILITIES	\$ 21,040,924	\$ -	\$ (3,744,817)	\$ 17,296,107	\$ 1,680,366
BUSINESS-TYPE ACTIVITIES					
Note payable	\$ 1,970,000	\$ -	\$ (130,000)	\$ 1,840,000	\$ 132,000
COMPONENT UNIT - TOWAMENCIN MUNICIPAL AUTHORITY					
Note payable	\$ 8,026,000	\$ -	\$ (427,000)	\$ 7,599,000	\$ 436,000

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE H - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. The Township participates in a public entity risk pool (Delaware Valley Insurance Trust - DVIT) operated as a common risk management and insurance program for municipalities. DVIT retains the first \$250,000 of each general liability, police professional liability and automobile liability and assumes the first \$100,000 of each first-party property loss. Reinsurance coverage is through commercial companies. DVIT also serves as group purchaser of boiler and machinery and crime and public officials' policies for its members. The calculation of premium contributions, loss assessments and any redistribution or surplus is predicated on each participant's individual loss history. An experience modification factor is applied to annual membership contributions. The insurance expense for the year ended December 31, 2020 was \$141,606. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2020 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Towamencin Township's share was \$25,435.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2020 was \$132,267. The Trust declared a dividend in 2020. Towamencin Township's share of the dividend distribution was \$19,561. At December 31, 2020, there were no additional assessments due or anticipated. Instead, an audit of the reported 2020 payroll will be performed during the first quarter of 2021.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool, which provides both medical and dental coverage. The insurance expense for the year ended December 31, 2020 was \$1,026,378 for both medical and dental.

The Township continues to carry insurance for all other risks of loss, except unemployment compensation. The Township is a reimbursable employer under section 1202.2(a) of the Pennsylvania Unemployment Compensation Law. There has been no significant reduction in insurance coverage from the previous year in any of the Township's policies.

Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE I - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

In anticipation of infrastructure improvements, properties have been acquired along Sumneytown Pike and Forty Foot Road. One property acquisition is still in the process of resolving just compensation. The condemnation proceeded to a Board of View, which awarded an additional sum of approximately \$10,000. The condemnee appealed the matter to the Court of Common Pleas of Montgomery County and has submitted appraisal reports claiming additional damages in the amount of \$985,000. It is unlikely that the parties will be able to resolve this dispute, so it is therefore anticipated that this case will proceed to trial some time in 2022. No definitive opinion can be expressed regarding the likelihood of the outcome at trial.

The Infrastructure Authority, pursuant to a Reimbursement Agreement with PennDOT, was obligated to pay 10% of the estimated just compensation and any additional compensation as these acquisitions either amicably or by condemnation were completed. At this point, legal counsel is unable to estimate the amount of additional costs to be incurred by the Infrastructure Authority for legal fees, appraisal fees, engineering fees, land planners' fees, etc. for all of the Infrastructure Authority's acquisitions relating to this project.

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

The Towamencin Township Board of Supervisors has established a formal Pension Board for the management of plan assets. The Board has a total of four members comprised of an active employee representative of the plan and two Supervisors appointed by the Board of Supervisors. The members of the Pension Board serve as Trustees of the Pension Plans. The Township Manager is appointed as the chief administrative officer. The Pension Board meets with the investment consultant quarterly.

Plan Membership - At December 31, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>23</u>
	<u>42</u>

Benefits Provided - The Police Pension Plan provides retirement benefits, as well as death and disability benefits, to full-time police employees who receive an honorable discharge or to their beneficiaries under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 and with 25 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to 50 percent of their average monthly pay received during the last 36 months of employment (base pay plus longevity if hired on or after January 1, 2016), plus a service increment of \$100 per month upon completion of 26 years of service, \$200 if 27 years, \$300 if 28 years, \$400 if 29 years, and \$500 if 30 years are completed. If a police employee leaves covered employment after completing 12 years of total service, for reason other than being terminated for conviction of a felony or crime, that employee will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. Such pension or retirement benefits shall be paid on the date the employee reaches retirement age. A member is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at early retirement. If an active member is disabled in the line of duty, he is eligible for disability pay, equal to 50% of the member's monthly salary at time of disability, offset by Social Security Disability Benefit.

If a member dies in service, a benefit will be paid per Acts 51 and 101 by the Commonwealth of Pennsylvania to the surviving spouse. Covered employees are required by statute to contribute 5% of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Contributions - Officers who are members in the plan are required to contribute 5% of applicable wages to the plan. Interest is credited to each member's account each year at 7% per year. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation ("MMO"), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The Commonwealth provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2020, the MMO obligation for the Police Pension Plan was \$698,244. Contributions of \$578,224 and \$120,020 were made by the Township and the Commonwealth, respectively.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Pension Board. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62%
International equity	13%
Fixed income	20%
Cash	5%
	<u>100%</u>

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 12.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2020, were as follows:

Total pension liability	\$ 16,406,733
Plan fiduciary net position	<u>(15,735,109)</u>
NET PENSION LIABILITY	\$ <u>671,624</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>95.91%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.0%

Mortality rates were based on the IRS 2017 Static Combined tables.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

The long-term expected rate of return on 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 plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2020 (see the plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Cash	0.00%-1.00%

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2019	\$ 15,662,846	\$ 13,898,265	\$ 1,764,581
Changes for the year			
Service cost	377,087	-	377,087
Interest	1,097,230	-	1,097,230
Contributions			
Employer	-	698,244	(698,244)
Member	-	129,710	(129,710)
Net investment income	-	1,742,820	(1,742,820)
Benefit payments	(730,430)	(730,430)	-
Administrative expense	-	(3,500)	3,500
Net changes	<u>743,887</u>	<u>1,836,844</u>	<u>(1,092,957)</u>
Balances at December 31, 2020	<u>\$ 16,406,733</u>	<u>\$ 15,735,109</u>	<u>\$ 671,624</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ <u>2,714,662</u>	\$ <u>671,624</u>	\$ <u>(1,024,112)</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2020, the Township recognized pension income of \$447,601 for the Police Pension Plan. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,772	\$ 431,072
Change of assumptions	1,228,768	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,080,405</u>
Total	<u>\$ 1,232,540</u>	<u>\$ 1,511,477</u>

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

<u>Year Ending December 31,</u>	
2021	\$ (103,467)
2022	66,516
2023	(318,572)
2024	(76,690)
2025	76,640
Thereafter	<u>76,636</u>
	<u>\$ (278,937)</u>

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

Non-Uniformed Employees' Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Plan Description

Plan Administration - The Township administers the Non-Uniformed Employees' Pension Plan--a single employer defined benefit plan that covers all full-time non-uniformed employees of the Township who have met the eligibility requirements. An employee joins the plan on the first day of the month following employment. Prior to December 31, 1994, participation occurred on the first day of the year following employment. Prior to January 1, 1985, participation is assumed to start on the date of employment. Employees hired after August 1, 2014 are not eligible to participate in the plan. Beginning in August of 2014, the Township offered a Money Purchase Plan for Non-Uniformed employees hired on or after August 1, 2014. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

The Towamencin Township Board of Supervisors has established a formal Pension Board for the management of plan assets. The Board has a total of four members comprised of an active employee representative of the plan and two Supervisors appointed by the Board of Supervisors. The members of the Pension Board serve as Trustees of the Pension Plans. The Township Manager is appointed as the chief administrative officer. The Pension Board meets with the investment consultant quarterly.

Plan Membership - At December 31, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>14</u>
	<u><u>35</u></u>

Benefits Provided - The Non-Uniform Employees' Pension Plan provides retirement benefits to full-time non-uniformed employees of the Township or to their beneficiaries. All benefits vest after 10 years of credited service. Employees who retire at or after age 65 and with 10 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to two percent of their average compensation received during the last 36 months of employment multiplied by total years of service, not to exceed 25 years. Employees with 15 years of credited service may retire at or after age 60 and receive a reduced benefit. If an employee leaves covered employment after completing five years of total service, for reasons other than retirement or death, the participant will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service.

The benefit provisions of the Township's Non-Uniformed Employees' Pension Plan are established by Township ordinances.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Contributions - Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The Commonwealth provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2020, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$254,182. Contributions of \$136,010 and \$118,172 were made by the Township and the Commonwealth, respectively. Non-Uniformed employees were not required to contribute to the Plan in 2020.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62%
International equity	13%
Fixed income	20%
Cash	5%
	<u>100%</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 12.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2020, were as follows:

Total pension liability	\$ 4,648,916
Plan fiduciary net position	<u>(4,227,950)</u>
NET PENSION LIABILITY (ASSET)	<u>\$ 420,966</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>90.94%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.0%

Mortality rates were based on the IRS 2017 Static Combined tables.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

The long-term expected rate of return on 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 plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2020 (see the plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Cash	0.00%-1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that is expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2019	\$ 4,419,409	\$ 3,693,696	\$ 725,713
Changes for the year			
Service cost	115,311	-	115,311
Interest	310,558	-	310,558
Contributions			
Employer	-	254,184	(254,184)
Net investment income	-	480,182	(480,182)
Benefit payments	(196,362)	(196,362)	-
Administrative expense	-	(3,750)	3,750
Net changes	<u>229,507</u>	<u>534,254</u>	<u>(304,747)</u>
Balances at December 31, 2020	\$ <u>4,648,916</u>	\$ <u>4,227,950</u>	\$ <u>420,966</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability (asset)	\$ <u>998,606</u>	\$ <u>420,966</u>	\$ <u>(67,392)</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2020, the Township recognized pension income of \$124,304 for the Non-Uniformed Employees' Pension Plan. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,860	\$ 225,825
Change of assumptions	484,751	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>313,751</u>
Total	<u>\$ 493,611</u>	<u>\$ 539,576</u>

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

<u>Year Ending December 31,</u>	
2021	\$ (30,121)
2022	17,690
2023	(79,835)
2024	25,318
2025	21,589
Thereafter	<u>(606)</u>
	<u>\$ (45,965)</u>

NOTE L - NON-UNIFORMED EMPLOYEES MONEY PURCHASE PLAN

The Non-Uniformed Employees' Money Purchase Plan provides retirement benefits to full time non-uniformed employees of the Township who were hired on or after August 1, 2014. Benefits vest on a percentage basis according to years of service beginning after 3 years and are fully vested after 7 years of service. The Township contributes on behalf of each participant 3.5% of earnings for the plan year. A member is eligible for normal retirement after the attainment of age 65. The Plan does not issue stand-alone financial statements.

The authority under which obligations to contribute to the Plan by the plan members, the employer and other contributing entities is established or may be amended by Township Ordinance.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE M - EMPLOYEE PENSION PLAN

Component Unit - Towamencin Municipal Authority

The Authority provides pension benefits for its full-time employees through a defined contribution money purchase pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus earnings on plan investments.

The Authority contributes 3.5% of each eligible employee's compensation to the plan. Each eligible employee may also contribute up to 21.5% of their compensation. The contributions made by the Authority on behalf of each employee and the earnings allocated to their accounts become 100% vested upon eligibility after two years of service. Authority contributions may not be distributed to the employee until age 65, except for death or disability.

The Authority's contributions in 2020 were \$36,316. Retirement benefits may be obtained at age 59 1/2.

NOTE N - DEFERRED COMPENSATION PLAN

The Township offers a deferred compensation plan for its employees. The plan, which is designed under the provisions of Internal Revenue Code Section 457, permits employees to make voluntary contributions from their salary which are excluded from federal taxable income until future years, the deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The contributions are invested with an outside trustee and are held for the exclusive benefit of participants or their beneficiaries and are therefore not included in the accompanying combined balance sheets of the Township. The Township contributed \$7,938 to the plan during the year ended December 31, 2020.

Component Unit - Towamencin Municipal Authority

The Authority has a deferred compensation plan for its employees. The plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salaries which are excluded from federal taxable income. A maximum contribution of up to \$18,000 can be contributed and deferred under the plan. The contributions are invested with an outside trustee.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Description of the Plan

Through police contract, the Township agrees that it will pay seventy five (75%) percent of the premium costs of the healthcare insurance coverage plans then being offered to the active full-time Police Officers (50% for officers hired on or after October 15, 2012 and before January 1, 2016), for each superannuated retired Officer, providing said retired Officer and spouse with continued hospitalization, major medical, surgical, drug and vision care as set forth in the healthcare plan then in effect for full-time Police Officers, subject to the certain conditions. Officers hired on or after January 1, 2016 are not eligible for postemployment medical insurance. The plan does not issue a stand-alone financial report.

Such coverage shall only be provided to those Officers who have retired after completing twenty five (25) years of continuous service and have achieved fifty (50) years of age. The Township shall pay for the continued coverage and bill the retiree or spouse for the applicable percent of the premium cost. If the retiree or spouse shall fail or neglect to reimburse the premium cost to the Township within thirty (30) days of submission, the Township shall be relieved of further obligation to pay insurance for any superannuated retiree or spouse. Any superannuated retired Officer who shall elect not to participate in this post-retirement medical insurance program or, who having once participated therein, shall elect to discontinue participation in the program, for any reason whatsoever, including non-payment as described above, shall not be permitted to resume participation in the program.

Officers retiring on or after January 1, 2012 shall be able to withdraw from their Township provided health insurance coverage during those periods where they are covered by other health insurance. Upon 30 day notice, or at the time upon a COBRA qualifying event, the employee, with eligible spouse and dependents, may enroll in the Township health insurance plans.

The Township's duty to continue to pay seventy five (75%) or fifty (50%) percent of the premium costs for a superannuated retiree and spouse shall terminate upon the retirees eligibility for Medicare and Medicaid, or death of retiree, except that the Township shall continue to pay seventy five (75%) or fifty (50%) percent of the premium costs for surviving spouse until eligible for Medicare or Medicaid.

In the event that a police officer retires upon disability, the retiree, spouse, and any non-spouse dependents may also continue to participate in the health care insurance coverage offered through the Township until the disabled officer reaches normal retirement age. The Township shall pay the same percentage of premium costs for the coverage as that of a working officer until the officer reaches normal retirement age. At that point, he or she will be eligible for the same health insurance benefits as retired officers.

The Township also agrees to provide each retiring Officer who shall serve full term to superannuation, without cost to the Officer, life insurance coverage in the sum of five thousand (\$5,000) dollars, for the remainder of his or her life.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

In the event that an officer retires upon disability, the Township agrees to provide him or her \$50,000 of life insurance coverage until normal retirement age. The amount of life insurance is then reduced to \$5,000 for the remainder of his or her life.

Employees covered by benefit terms - At January 1, 2019, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	1
Active employees	<u>22</u>
TOTAL MEMBERSHIP	<u>37</u>

Total OPEB Liability

The Township's total OPEB liability of \$3,798,134 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial assumptions and other inputs - The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	5% annual increase
Discount rate	3.26%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2019.

Mortality rates were based on the PubS-2010, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability of the Township

	Total OPEB Liability (a)
BALANCES AT DECEMBER 31, 2019	\$ 4,311,750
Changes for the year	
Service cost	188,689
Interest	160,091
Differences between expected and actual experience	(836,318)
Changes of assumptions	162,828
Benefit payments	(188,906)
NET CHANGES	<u>(513,616)</u>
BALANCES AT DECEMBER 31, 2020	<u>\$ 3,798,134</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64% in 2019 to 3.26% in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26%) or 1-percentage point higher (4.26%) than the current discount rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB liability	\$ <u>4,157,488</u>	\$ <u>3,798,134</u>	\$ <u>3,476,364</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ <u>3,387,429</u>	\$ <u>3,798,134</u>	\$ <u>4,277,317</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2020, the Township recognized OPEB expense of \$128,788. At December 31, 20120, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 731,778
Change of assumptions	243,967	129,314
Benefit payments subsequent to the measurement date (1/1/2020)	<u>134,552</u>	<u>-</u>
	<u>\$ 378,519</u>	<u>\$ 861,092</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ (85,440)
2021	(85,440)
2022	(85,440)
2023	(85,440)
2024	(85,440)
Thereafter	<u>(189,925)</u>
	<u>\$ (617,125)</u>

NOTE P - ESCROW CASH DEPOSITS AND INVESTMENTS

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE Q - SERVICE AGREEMENT

Sanitary Sewer Lease

The Towamencin Municipal Authority (formerly Upper Gwynedd-Towamencin Municipal Authority) (the Authority) is a public corporation organized on June 12, 1964, under the enabling state legislation (Municipality Authorities Act of 1945).

On March 2, 2015, the Authority, Upper Gwynedd Township and Towamencin Township entered into an inter-municipal agreement. As part of this agreement, Upper Gwynedd withdrew from the Authority. The Authority paid Upper Gwynedd Township \$4 million and its capital account balance with the Authority less its share of various projects. Upon withdrawal, Upper Gwynedd Township became a customer of Towamencin Township. Upper Gwynedd Township will pay \$1,125,000 to Towamencin Township adjusted annually for new residential connections or changes to commercial flow, until its project to redirect its flow is complete. Upper Gwynedd Township paid \$1,109,942 for the year ended December 31, 2020.

Operating Service Charges

An operating service charge based on the Authority's operating budget is payable in quarterly installments. The charge is subject to adjustment after the close of each year when actual amounts are available.

The operating service charge adjustment for the year ended December 31, 2020, applying the accrual basis, is computed as follows:

	<u>Total</u>
ALLOCATION CALCULATION	
Current year's operating service charge payments	\$ 2,902,098
Sludge removal reimbursements	348,326
Pump station reimbursement	142,724
Miscellaneous income	103,902
TOTAL OPERATING REVENUE	<u>3,497,050</u>
Current year's total operating costs	3,569,444
Less earnings on investments	7,587
NET OPERATING COSTS ALLOCATED	<u>3,561,857</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, UNDER	<u>\$ (64,807)</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE R - EMERGENCY RADIO PROJECT

During the year ended December 31, 2015, Montgomery County established the Emergency Radio Project (the "Project"). Under the terms of the Project, the County has entered into a bulk purchasing agreement with Motorola Solutions, Inc. with respect to emergency radio equipment and services. The County has, in turn, made available to municipalities within the County, the ability to purchase, from Motorola, emergency radio equipment at a discount and has further agreed to provide interest free loans to municipalities, from funds borrowed by the County from the Delaware Valley Regional Finance Authority("DelVal"), that wish to participate in the Project. In 2015, the Township elected to participate in the Project and entered into a Promissory Note with the County in the amount of \$352,510 to be repaid in five annual installments of \$70,502 each. As of December 31, 2020, the balance due on the Note has been fully repaid.

NOTE S - SUBSEQUENT EVENT

In February 2021, the Township issued \$2,000,000 in General Obligation Notes, 2021 Series A. Proceeds from the Note is to fund certain capital projects consisting of (i) reimbursement of expenditures on capital improvement projects; (ii) acquisition of vehicles and equipment; (iii) improvements to the Township and emergency radio systems; (iv) acquisition of police vehicles and body cameras; (v) improvements to the Township pool; (vi) improvements to storm water collection system; and (vii) improvements to roads and bridges that will benefit the health and welfare of the residents of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Real estate taxes, net	\$ 2,206,864	\$ 2,171,280	\$ 2,202,397	\$ 31,117
Earned income taxes	3,550,000	3,749,415	3,760,368	10,953
Local services tax	340,000	376,408	376,261	(147)
Real estate transfer tax	425,000	385,820	403,887	18,067
Intergovernmental revenues	485,118	480,517	504,372	23,855
Licenses and permits	696,615	617,580	593,219	(24,361)
Fines and forfeits	59,600	49,514	49,644	130
Charges for services	15,400	9,406	32,293	22,887
Investment income and rents	55,700	36,527	36,403	(124)
Miscellaneous	86,630	53,604	70,605	17,001
TOTAL REVENUES	<u>7,920,927</u>	<u>7,930,071</u>	<u>8,029,449</u>	<u>99,378</u>
EXPENDITURES				
General government	1,764,404	1,754,957	1,831,077	(76,120)
Public safety	5,167,359	5,023,123	5,036,030	(12,907)
Parks and recreation	8,100	8,100	8,100	
Highways	1,296,225	1,163,704	1,080,323	83,381
Debt service				
Principal retirement	-	-	32,900	(32,900)
TOTAL EXPENDITURES	<u>8,236,088</u>	<u>7,949,884</u>	<u>7,988,430</u>	<u>(38,546)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(315,161)</u>	<u>(19,813)</u>	<u>41,019</u>	<u>60,832</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(1,104,650)	(1,030,600)	(1,030,600)	
Operating transfers in	1,151,471	1,151,471	2,243,969	1,092,498
TOTAL OTHER FINANCING SOURCES (USES)	<u>46,821</u>	<u>120,871</u>	<u>1,213,369</u>	<u>1,092,498</u>
NET CHANGE IN FUND BALANCE	<u>\$ (268,340)</u>	<u>\$ 101,058</u>	<u>1,254,388</u>	<u>\$ 1,153,330</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>18,126</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,272,514</u>	

TOWAMENCIN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017
TOTAL PENSION LIABILITY				
Service cost	\$ 377,087	\$ 360,849	\$ 309,765	\$ 295,014
Interest	1,097,230	1,048,495	1,027,087	982,099
Differences between expected and actual experience	-	(424,558)	-	8,800
Changes of assumptions	-	1,037,676	-	1,051,196
Benefit payments	(730,430)	(728,289)	(705,822)	(678,212)
NET CHANGE IN TOTAL PENSION LIABILITY	743,887	1,294,173	631,030	1,658,897
Total pension liability, beginning	15,662,846	14,368,673	13,737,643	12,078,746
TOTAL PENSION LIABILITY, ENDING (a)	\$ 16,406,733	\$ 15,662,846	\$ 14,368,673	\$ 13,737,643
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 698,244	\$ 701,195	\$ 705,780	\$ 781,800
Member	129,710	118,845	113,061	113,068
Net investment income	1,742,820	2,569,059	(1,010,016)	1,631,241
Benefit payments, including refunds of member contributions	(730,430)	(728,289)	(705,822)	(678,212)
Administrative expense	(3,500)	(12,250)	(5,018)	(11,065)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,836,844	2,648,560	(902,015)	1,836,832
Plan fiduciary net position, beginning	13,898,265	11,249,705	12,151,720	10,314,888
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 15,735,109	\$ 13,898,265	\$ 11,249,705	\$ 12,151,720
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 671,624	\$ 1,764,581	\$ 3,118,968	\$ 1,585,923
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	95.91%	88.73%	78.29%	88.46%
COVERED PAYROLL	\$ 2,611,400	\$ 2,288,083	\$ 2,279,226	\$ 2,160,268
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	25.72%	77.12%	136.84%	73.41%

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

2016	2015	2014
\$ 299,507	\$ 285,245	\$ 271,550
916,059	868,469	851,785
-	(337,966)	-
(576,099)	(570,117)	(610,897)
639,467	245,631	512,438
11,439,279	11,193,648	10,681,210
<u>\$ 12,078,746</u>	<u>\$ 11,439,279</u>	<u>\$ 11,193,648</u>
\$ 773,557	\$ 814,586	\$ 750,629
112,433	109,860	105,271
835,419	(315,299)	437,151
(576,099)	(570,117)	(610,897)
(8,125)	(40,618)	(8,392)
1,137,185	(1,588)	673,762
9,177,703	9,179,291	8,505,529
<u>\$ 10,314,888</u>	<u>\$ 9,177,703</u>	<u>\$ 9,179,291</u>
<u>\$ 1,763,858</u>	<u>\$ 2,261,576</u>	<u>\$ 2,014,357</u>
<u>85.40%</u>	<u>80.23%</u>	<u>82.00%</u>
<u>\$ 2,129,513</u>	<u>\$ 2,112,439</u>	<u>\$ 2,021,915</u>
<u>82.83%</u>	<u>107.06%</u>	<u>99.63%</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
POLICE PENSION PLAN
LAST SEVEN FISCAL YEARS

	2020	2019	2018
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 698,244	\$ 701,195	\$ 705,780
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>698,244</u>	<u>701,195</u>	<u>705,780</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,611,400</u>	<u>\$ 2,288,083</u>	<u>\$ 2,279,226</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>26.74%</u>	<u>30.65%</u>	<u>30.97%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	8 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%	3.0%
Salary increases	4.5% annual increase	5% annual increase
Investment rate of return	7.0%	7.5%
Retirement age	Latest of age 53, age at the completion of 25 years of service	Latest of age 53, age at the completion of 25 years of service
Mortality	PubS-2010 mortality table	IRS 2017 Static Tables

Assumption Changes: For the January 1, 2019 valuation, the salary increases decreased from 5.0% to 4.5%, the investment rate of return decreased from 7.5% to 7.0%, and the mortality tables were updated to the PubS-2010.

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 781,800	\$ 773,557	\$ 814,586	\$ 750,629
<u>781,800</u>	<u>773,557</u>	<u>814,586</u>	<u>750,629</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ 2,160,268</u>	<u>\$ 2,129,513</u>	<u>\$ 2,112,439</u>	<u>\$ 2,021,915</u>
<u>36.19%</u>	<u>36.33%</u>	<u>38.56%</u>	<u>37.12%</u>

January 1, 2015

January 1, 2013

Entry age normal
Level dollar, closed
5 years
Smoothed value
with a corridor of
90% to 110% of
market value
3.0%
5% annual increase
8.0%
Latest of age 53, age at the
completion of 25 years of
service
RP-2000 Table

Entry age normal
Level dollar, closed
8 years
Smoothed value
with a corridor of
90% to 110% of
market value
3.0%
5% annual increase
8.0%
Latest of age 53, age at the
completion of 25 years of
service
RP-2000 Table

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
POLICE PENSION PLAN
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<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>12.34%</u>	<u>23.04%</u>	<u>-8.27%</u>	<u>15.86%</u>	<u>8.98%</u>	<u>-3.40%</u>	<u>8.00%</u>

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

TOWAMENCIN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 115,311	\$ 110,345	\$ 114,464	\$ 109,013
Interest	310,558	294,693	286,122	267,777
Differences between expected and actual experience	-	(272,952)	-	17,720
Changes of assumptions	-	424,078	-	363,679
Benefit payments	<u>(196,362)</u>	<u>(170,356)</u>	<u>(134,954)</u>	<u>(140,333)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	229,507	385,808	265,632	617,856
Total pension liability, beginning	<u>4,419,409</u>	<u>4,033,601</u>	<u>3,767,969</u>	<u>3,150,113</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 4,648,916</u>	<u>\$ 4,419,409</u>	<u>\$ 4,033,601</u>	<u>\$ 3,767,969</u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 254,184	\$ 233,686	\$ 162,506	\$ 158,310
Net investment income	480,182	684,029	(248,450)	443,777
Benefit payments, including refunds of member contributions	(196,362)	(170,356)	(134,954)	(140,333)
Administrative expense	<u>(3,750)</u>	<u>(6,200)</u>	<u>(4,110)</u>	<u>(9,667)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	534,254	741,159	(225,008)	452,087
Plan fiduciary net position, beginning	<u>3,693,696</u>	<u>2,952,537</u>	<u>3,177,545</u>	<u>2,725,458</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 4,227,950</u>	<u>\$ 3,693,696</u>	<u>\$ 2,952,537</u>	<u>\$ 3,177,545</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 420,966</u>	<u>\$ 725,713</u>	<u>\$ 1,081,064</u>	<u>\$ 590,424</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>90.94%</u>	<u>83.58%</u>	<u>73.20%</u>	<u>84.33%</u>
COVERED PAYROLL	<u>\$ 1,014,995</u>	<u>\$ 995,832</u>	<u>\$ 1,081,870</u>	<u>\$ 1,169,955</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>41.47%</u>	<u>72.88%</u>	<u>99.93%</u>	<u>50.47%</u>

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 96,050	\$ 91,476	\$ 104,908
238,558	223,653	216,200
-	(92,581)	-
(140,848)	(125,919)	(117,948)
193,760	96,629	203,160
<u>2,956,353</u>	<u>2,859,724</u>	<u>2,656,564</u>
<u>\$ 3,150,113</u>	<u>\$ 2,956,353</u>	<u>\$ 2,859,724</u>
\$ 162,360	\$ 182,117	\$ 151,635
242,877	(86,197)	111,632
(140,848)	(125,919)	(117,948)
(7,077)	(9,759)	(4,017)
257,312	(39,758)	141,302
<u>2,468,146</u>	<u>2,507,904</u>	<u>2,366,602</u>
<u>\$ 2,725,458</u>	<u>\$ 2,468,146</u>	<u>\$ 2,507,904</u>
<u>\$ 424,655</u>	<u>\$ 488,207</u>	<u>\$ 351,820</u>
<u>86.52%</u>	<u>83.49%</u>	<u>87.70%</u>
<u>\$ 1,127,124</u>	<u>\$ 1,109,322</u>	<u>\$ 1,104,987</u>
<u>37.68%</u>	<u>44.01%</u>	<u>31.84%</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST SEVEN FISCAL YEARS

	2020	2019	2018
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 254,182	\$ 233,686	\$ 162,506
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>254,182</u>	<u>233,686</u>	<u>162,506</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 1,014,955</u>	<u>\$ 995,832</u>	<u>\$ 1,081,870</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>25.04%</u>	<u>23.47%</u>	<u>15.02%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	12 years	13 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%	3.0%
Salary increases	4.5% annual increase	5% annual increase
Investment rate of return	7.0%	7.5%
Retirement age	Normal retirement age	Normal retirement age
Mortality	PubG-2010 mortality table	IRS 2017 Static Tables
Change in benefit terms	None	None

Assumption Changes: For the January 1, 2019 valuation, the salary increases decreased from 5.0% to 4.5%, the investment rate of return decreased from 7.5% to 7.0% and the mortality tables were updated to the PubG-2010.

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 158,310	\$ 162,360	\$ 181,117	\$ 151,635
<u>158,310</u>	<u>162,360</u>	<u>182,117</u>	<u>151,635</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>(1,000)</u>	\$ <u>-</u>
\$ <u>1,169,955</u>	\$ <u>1,127,124</u>	\$ <u>1,109,322</u>	\$ <u>1,104,987</u>
<u>13.53%</u>	<u>14.40%</u>	<u>16.42%</u>	<u>13.72%</u>

January 1, 2015

January 1, 2013

Entry age normal
Level dollar closed
14 years
Smoothed value
with a corridor of
80% to 120% of
market value
3.0%
5% annual increase
8.0%
Normal retirement age
RP-2000 Table
New hires not eligible for Plan
effective August 1, 2014

Entry age normal
Level dollar closed
17 years
Smoothed value
with a corridor of
80% to 120% of
market value
3.0%
5% annual increase
8.0%
Normal retirement age
RP-2000 Table
None

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<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>12.67%</u>	<u>23.43%</u>	<u>-7.88%</u>	<u>16.38%</u>	<u>9.89%</u>	<u>-3.41%</u>	<u>8.00%</u>

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

TOWAMENCIN TOWNSHIP
SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN
LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 188,689	\$ 199,933	\$ 174,766
Interest	160,091	140,201	152,947
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(836,318)	-	-
Changes of assumptions	162,828	(172,420)	162,390
Benefit payments	(188,906)	(202,396)	(199,555)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>(513,616)</u>	<u>(34,682)</u>	<u>290,548</u>
TOTAL OPEB LIABILITY, BEGINNING	<u>4,311,750</u>	<u>4,346,432</u>	<u>4,055,884</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 3,798,134</u>	<u>\$ 4,311,750</u>	<u>\$ 4,346,432</u>
COVERED PAYROLL	<u>\$ 2,288,084</u>	<u>\$ 2,069,869</u>	<u>\$ 2,069,869</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>166.00%</u>	<u>208.31%</u>	<u>209.99%</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2020 the discount rate was changed from 3.64% to 3.26%. In 2019 the discount rate was changed from 3.16% to 3.64%.

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

SUPPLEMENTARY INFORMATION SECTION

TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 338,383	\$ 170,340	\$ 508,723
Accounts receivable	3,278	193,510	196,788
Taxes receivable, net	4,278	-	4,278
TOTAL ASSETS	\$ 345,939	\$ 363,850	\$ 709,789
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 5,456	\$ 161,331	\$ 166,787
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,437	-	2,437
FUND BALANCES			
Restricted			
Highway and street projects	250,447	-	250,447
Street lights	2,197	-	2,197
Parks and recreation	30,574	-	30,574
Committed			
Public art	-	147,765	147,765
Community pool	25,360	-	25,360
Assigned			
Capital projects	29,468	54,754	84,222
TOTAL FUND BALANCES	338,046	202,519	540,565
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 345,939	\$ 363,850	\$ 709,789

TOWAMENCIN TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Real estate taxes, net			
Current year	\$ 432,242	\$ -	\$ 432,242
Prior years and liened taxes	1,858	-	1,858
Intergovernmental revenues	670,369	679,156	1,349,525
Departmental earnings	-	3,000	3,000
Investment income and rents	995	87	1,082
TOTAL REVENUES	<u>1,105,464</u>	<u>682,243</u>	<u>1,787,707</u>
EXPENDITURES			
General government	8,211	-	8,211
Public safety	318,654	-	318,654
Parks and recreation	666,216	167,407	833,623
Principal retirement	36,600	-	36,600
Capital outlays	-	1,163,668	1,163,668
TOTAL EXPENDITURES	<u>1,029,681</u>	<u>1,331,075</u>	<u>2,360,756</u>
DEFICIENCY OF REVENUES OVER REVENUES EXPENDITURES	<u>75,783</u>	<u>(648,832)</u>	<u>(573,049)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(179,500)	(45,000)	(224,500)
Operating transfers in	375,100	120,000	495,100
Proceeds from sale of capital assets	-	975	975
TOTAL OTHER FINANCING SOURCES (USES)	<u>195,600</u>	<u>75,975</u>	<u>271,575</u>
NET CHANGE IN FUND BALANCES	271,383	(572,857)	(301,474)
FUND BALANCES AT BEGINNING OF YEAR	<u>66,663</u>	<u>775,376</u>	<u>842,039</u>
FUND BALANCES AT END OF YEAR	<u>\$ 338,046</u>	<u>\$ 202,519</u>	<u>\$ 540,565</u>

TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020

	<u>Street Lighting Fund</u>	<u>Fire Protection Fund</u>	<u>Parks and Recreation Fund</u>
ASSETS			
Cash and cash equivalents	\$ 2,197	\$ 27,261	\$ 31,183
Accounts receivable	-	744	2,534
Taxes receivable, net	-	2,042	2,236
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,197</u>	<u>\$ 30,047</u>	<u>\$ 35,953</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 231	\$ 3,290
	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	348	2,089
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Restricted			
Highway and street projects	-	-	-
Street lights	2,197	-	-
Parks and recreation	-	-	30,574
Committed			
Community pool	-	-	-
Assigned			
Capital projects	-	29,468	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,197</u>	<u>29,468</u>	<u>30,574</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	<u>\$ 2,197</u>	<u>\$ 30,047</u>	<u>\$ 35,953</u>

<u>Pool Fund</u>	<u>Highway Aid</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 27,295	\$ 250,447	\$ 338,383
-	-	3,278
-	-	<u>4,278</u>
<u>\$ 27,295</u>	<u>\$ 250,447</u>	<u>\$ 345,939</u>
\$ 1,935	\$ -	\$ 5,456
-	-	<u>2,437</u>
-	250,447	250,447
-	-	2,197
-	-	30,574
25,360	-	25,360
-	-	29,468
<u>25,360</u>	<u>250,447</u>	<u>338,046</u>
<u>\$ 27,295</u>	<u>\$ 250,447</u>	<u>\$ 345,939</u>

TOWAMENCIN TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020

	Street Lighting Fund	Fire Protection Fund	Parks and Recreation Fund
REVENUES			
Real estate taxes, net			
Current year	\$ 721	\$ 63,077	\$ 368,444
Prior years and liened taxes	-	265	1,593
Intergovernmental revenues	-	124,889	15,914
Investment income and rents	-	-	152
Miscellaneous	-	-	-
TOTAL REVENUES	<u>721</u>	<u>188,231</u>	<u>386,103</u>
EXPENDITURES			
General government	-	-	8,211
Public safety	-	318,654	-
Parks and recreation	-	-	320,131
Debt service			
Principal retirement	-	36,600	-
TOTAL EXPENDITURES	<u>-</u>	<u>355,254</u>	<u>328,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>721</u>	<u>(167,023)</u>	<u>57,761</u>
OTHER FINANCING USES			
Operating transfers out	-	-	(179,500)
Operating transfers in	-	195,600	120,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>195,600</u>	<u>(59,500)</u>
NET CHANGE IN FUND BALANCES	721	28,577	(1,739)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,476</u>	<u>891</u>	<u>32,313</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,197</u>	<u>\$ 29,468</u>	<u>\$ 30,574</u>

Pool Fund	Highway Aid	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 432,242
-	-	1,858
-	529,566	670,369
-	843	995
-	-	-
<u>-</u>	<u>530,409</u>	<u>1,105,464</u>
-	-	8,211
-	-	318,654
40,019	306,066	666,216
-	-	36,600
<u>40,019</u>	<u>306,066</u>	<u>1,029,681</u>
<u>(40,019)</u>	<u>224,343</u>	<u>75,783</u>
-	-	(179,500)
<u>59,500</u>	<u>-</u>	<u>375,100</u>
<u>59,500</u>	<u>-</u>	<u>195,600</u>
19,481	224,343	271,383
<u>5,879</u>	<u>26,104</u>	<u>66,663</u>
<u>\$ 25,360</u>	<u>\$ 250,447</u>	<u>\$ 338,046</u>

TOWAMENCIN TOWNSHIP
BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2020

	<u>General Capital Fund</u>	<u>Capital Public Art</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 147,765
Accounts receivable	<u>193,510</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 193,510</u>	<u>\$ 147,765</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 150,377</u>	<u>\$ -</u>
 FUND BALANCE		
Committed		
Public art	-	147,765
Assigned		
Capital projects	<u>43,133</u>	<u>-</u>
TOTAL FUND BALANCES	<u>43,133</u>	<u>147,765</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 193,510</u>	<u>\$ 147,765</u>

<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
\$ 19,349	\$ 3,226	\$ 170,340
<u>-</u>	<u>-</u>	<u>193,510</u>
<u>\$ 19,349</u>	<u>\$ 3,226</u>	<u>\$ 363,850</u>
\$ <u>10,954</u>	\$ <u>-</u>	\$ <u>161,331</u>
-	-	147,765
<u>8,395</u>	<u>3,226</u>	<u>54,754</u>
<u>8,395</u>	<u>3,226</u>	<u>202,519</u>
<u>\$ 19,349</u>	<u>\$ 3,226</u>	<u>\$ 363,850</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Capital Fund	Capital Public Art
REVENUES		
Intergovernmental revenues	\$ 479,156	\$ -
Departmental earnings	-	-
Investment income and rents	-	50
TOTAL REVENUES	<u>479,156</u>	<u>50</u>
EXPENDITURES		
Parks and recreation	-	-
Capital outlay	1,163,668	-
TOTAL EXPENDITURES	<u>1,163,668</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(684,512)</u>	<u>50</u>
OTHER FINANCING SOURCES		
Operating transfers out	175,000	-
Operating transfers in	-	-
Proceeds from sale of capital assets	975	-
TOTAL OTHER FINANCING SOURCES	<u>175,975</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(508,537)	50
FUND BALANCES AT BEGINNING OF YEAR	<u>551,670</u>	<u>147,715</u>
FUND BALANCES AT END OF YEAR	<u>\$ 43,133</u>	<u>\$ 147,765</u>

<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
\$ 200,000	\$ -	\$ 679,156
3,000	-	3,000
19	18	87
<u>203,019</u>	<u>18</u>	<u>682,243</u>
167,407	-	167,407
-	-	1,163,668
<u>167,407</u>	<u>-</u>	<u>1,331,075</u>
35,612	18	(648,832)
(220,000)	-	(45,000)
120,000	-	120,000
-	-	975
<u>(100,000)</u>	<u>-</u>	<u>75,975</u>
(64,388)	18	(572,857)
72,783	3,208	775,376
<u>\$ 8,395</u>	<u>\$ 3,226</u>	<u>\$ 202,519</u>

TOWAMENCIN TOWNSHIP
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 364,719	\$ 220,208	\$ 584,927
Investments			
Government securities	749,074	205,501	954,575
Corporate bonds	453,291	121,836	575,127
Equity mutual funds	1,185,848	322,564	1,508,412
Common stocks	12,921,422	3,448,846	16,370,268
Prepaid expenses	60,755	16,278	77,033
TOTAL ASSETS	<u>\$ 15,735,109</u>	<u>\$ 4,335,233</u>	<u>\$ 20,070,342</u>
NET POSITION			
Restricted for pensions	<u>\$ 15,735,109</u>	<u>\$ 4,335,233</u>	<u>\$ 20,070,342</u>

TOWAMENCIN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 827,954	\$ 303,340	\$ 1,131,294
Investment gain	1,742,820	419,373	2,162,193
Miscellaneous revenue	1,148	73,267	74,415
TOTAL ADDITIONS	<u>2,571,922</u>	<u>795,980</u>	<u>3,367,902</u>
DEDUCTIONS			
Benefit payments to retired plan participants	730,430	196,362	926,792
Administrative	3,500	2,683	6,183
TOTAL DEDUCTIONS	<u>733,930</u>	<u>199,045</u>	<u>932,975</u>
CHANGE IN NET POSITION	1,837,992	596,935	2,434,927
NET POSITION AT BEGINNING OF YEAR	<u>13,897,117</u>	<u>3,738,298</u>	<u>17,635,415</u>
NET POSITION AT END OF YEAR	<u>\$ 15,735,109</u>	<u>\$ 4,335,233</u>	<u>\$ 20,070,342</u>

TOWAMENCIN TOWNSHIP
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2021

INTRODUCTORY SECTION

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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of Supervisors
Towamencin Township
Lansdale, Pennsylvania

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Towamencin Township, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Towamencin Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Towamencin Township, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Towamencin Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Towamencin Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Towamencin Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Supervisors
Towamencin Township
Lansdale, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Towamencin Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Towamencin Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Supervisors
Towamencin Township
Lansdale, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on page 6 through 16, budgetary comparison information on page 70, pension plan information on pages 71 through 76 and postemployment benefits other than pension information on page 77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Towamencin Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Limerick, Pennsylvania
October 4, 2022

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Our discussion and analysis of Towamencin Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the Township's financial statements which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the calendar year by \$37,662,220 (net position).
- As of December 31, 2021, the Township's governmental funds reported combined ending balances of \$5,254,817.
- The Township reduced outstanding debt with principal payments of \$1,675,000, including the Towamencin Municipal Authority principal payment of \$436,000. The Township received proceeds from Series of 2021 General Obligation Notes in the amount of \$2,300,000.
- As of December 31, 2021, the Township's proprietary funds reported combined ending balances of \$4,754,628 for sewer related operations. Sewer rental fees did not increase in 2021.
- The Township continued to offer the Homestead and Farmstead exclusions and increased the real estate tax rate to 4.5580 mills for 2021.
- During 2021, new residential construction was minimal with just a few new homes being added to the Township.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Township's financial position and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future. The required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

The Township's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Government-Wide Financial Statements - The government-wide financial statements provide a broad overview of Towamencin Township's finances, in a manner similar to a private-sector business. Please note that the Towamencin Township Infrastructure Authority, although considered a major fund of the Township, is discussed in detail in a separate audit. 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 government'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 result in cash flows only in future calendar periods (e.g., uncollected taxes). Both of 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).

- **Governmental Activities:** Most of the Township's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government, public safety, highway and streets, and culture and recreation.
- **Business-Type Activities:** The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sewer services.

Fund Financial Statements - The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds begin on page 78. All of the funds of the Township can be divided into three categories: governmental, proprietary and fiduciary.

- **Governmental Funds:** Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term.

- **Proprietary Funds:** When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise) utilize the accrual basis of accounting; the same method used by private sector businesses. Enterprise fund report activities that provide supplies and services to the general public, such as sewer services.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

- **Fiduciary Funds**: The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has two pension funds--Police and Non-Uniform. In addition, the Township maintains escrow accounts for land developments. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to the Basic 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 beginning on page 28 of this report.

Other Information

This information includes combining financial statements for non-major governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as is done with major funds, on the governmental fund financial statements. This section also contains the Township's required supplementary pension information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question, "How did the Township do financially during 2021?". These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them during the year. This change in net position is important because it informs the reader whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors could include changes in the Township's property tax base and the condition of Township's assets.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including general government, public safety, streets and highway, and culture and recreation. Real estate taxes, earned income taxes, permits, fees and charges for services finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to cover the cost of the sanitary sewer system in the Township.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets exceeded liabilities by \$37,662,220 at the close of 2021. This is an increase of \$1,781,339 from the previous year.

Table 1
Condensed Statement of Net Position
December 31, 2021 and 2020

	2021		2020		2021 Totals	2020 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
ASSETS						
Cash and investments	\$ 5,365,369	\$ 5,113,236	\$ 3,047,141	\$ 4,321,069	\$ 10,478,605	\$ 7,368,210
Other assets	3,234,635	730,852	577,025	723,936	3,965,487	1,300,961
Capital assets	45,326,051	653,617	47,114,814	710,585	45,979,668	47,825,399
TOTAL ASSETS	53,926,055	6,497,705	50,738,980	5,755,590	60,423,760	56,494,570
DEFERRED OUTFLOWS OF RESOURCES						
	2,123,600	-	2,104,670	-	2,123,600	2,104,670
LIABILITIES						
Other liabilities	1,400,978	35,077	651,530	18,637	1,436,055	670,167
Long-term liabilities	17,486,158	1,708,000	17,296,107	1,840,000	19,194,158	19,136,107
TOTAL LIABILITIES	18,887,136	1,743,077	17,947,637	1,858,637	20,630,213	19,806,274
DEFERRED INFLOWS OF RESOURCES						
	4,254,927	-	2,912,145	-	4,254,927	2,912,145
NET POSITION						
Net investment in capital assets	32,333,131	689,989	34,741,528	710,585	33,023,120	35,452,113
Restricted	1,872,095	-	1,311,865	-	1,872,095	1,311,865
Unrestricted	(1,297,634)	4,064,639	(4,069,525)	3,186,368	2,767,005	(883,157)
TOTAL NET POSITION	\$ 32,907,592	\$ 4,754,628	\$ 31,983,868	\$ 3,896,953	\$ 37,662,220	\$ 35,880,821

The largest portion of the Township's net position, \$33,023,120 is reflected in its investment in capital assets (land, buildings, and equipment) less any related debt, which is still outstanding. The Township uses these assets to provide services to residents; consequently, these assets are not available for future spending, and the resources needed to repay this debt must be provided from other sources. Cash and investments in the amount of \$10,478,605 represent 17% of the Township's total assets.

The net position in the governmental activities increased \$923,724.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The net position of the business-type activities increased \$857,675. The decrease was due to continued investments of infiltration & inflow reduction efforts within the Township's sanitary sewer system as required by DEP.

Table 2
Condensed Statement of Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021		2020		2021 Totals	2020 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
REVENUES						
Program revenues						
Charges for services	\$ 1,588,166	\$ 4,372,241	\$ 487,270	\$ 4,509,039	\$ 5,960,407	\$ 4,996,309
Operating grants and contributions	3,187,819	1,037,082	1,597,453	1,238,151	4,224,901	2,835,604
Capital grants and contributions	267,650	-	557,477	-	267,650	557,477
General revenues						
Taxes	9,187,730	-	7,877,451	-	9,187,730	7,877,451
Cable TV franchise tax	339,997	-	346,901	-	339,997	346,901
Investment earnings	2,286	2,924	14,911	18,954	5,210	33,865
Other	59,359	-	49,545	-	59,359	49,545
TOTAL REVENUES	14,633,007	5,412,247	10,931,008	5,766,144	20,045,254	16,697,152
EXPENSES						
General government	2,403,159	-	1,706,636	-	2,403,159	1,706,636
Public safety	5,157,878	-	5,063,169	-	5,157,878	5,063,169
Public works, highway and streets	5,191,949	-	3,760,840	-	5,191,949	3,760,840
Culture and recreation, parks	992,974	-	792,404	-	992,974	792,404
Interest	221,762	-	241,713	-	221,762	241,713
Sewer operations	-	4,296,133	-	3,870,937	4,296,133	3,870,937
TOTAL EXPENSES	13,967,722	4,296,133	11,564,762	3,870,937	18,263,855	15,435,699
TRANSFERS, net	258,439	(258,439)	2,362,317	(2,362,317)	-	-
CHANGE IN NET POSITION	\$ 923,724	\$ 857,675	\$ 1,728,563	\$ (467,110)	\$ 1,781,399	\$ 1,261,453

Governmental Activities

As indicated by the governmental program expenses, public safety programs and highways/streets services account for approximately 37% and 37%, respectively, of the total expenditures of the Township's governmental activities. General administration and parks and recreation account for approximately 24% combined. Long-term debt interest accounts for 2% of the total expenses.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Real estate taxes, earned income tax and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 44% and 10% of total revenues, respectively. The earned income tax and the local services tax provide 46% of the total revenues. The Township relies on these taxes to furnish the quality of life to citizens and businesses to which the Board of Supervisors has always been committed. Below are the last six years of Real Estate, Real Estate Transfer, Earned Income and Local Service tax receipts:

	2021	2020	2019	2018	2017	2016
Real estate tax	\$ 4,031,234	\$ 3,336,214	\$ 3,319,340	\$ 3,345,821	\$ 3,298,644	\$ 3,264,691
Transfer tax	932,015	403,887	497,868	343,946	541,120	447,171
Earned income tax	3,836,288	3,761,089	3,538,471	3,290,800	3,236,595	3,261,538
Local service tax	388,193	376,261	351,895	337,217	334,228	326,953

Business-Type Activities

During 2015, Upper Gwynedd Township withdrew from the jointly operated Authority with Towamencin Township (UGTMA) consisting of a sewage treatment plant and collection system.

The treatment plant is operated by the Towamencin Municipal Authority (TMA), a component unit of the Township. Treatment plant operations are financed by operating service charges paid by Towamencin Township. The Authority's debt service requirements are also guaranteed by the Township.

Residential properties in the Township pay sewer rent in the amount of \$375 per year. Commercial properties are billed twice a year, in arrears, based on water usage. A connection/tapping fee assessed in accordance with recent state law modifications is charged when a property ties into the system.

During 2021, the Township received tapping fees for 8 residential, 23 commercial EDUs, and the balance owed on a 60 commercial EDU billing. The total amount received was \$68,464.

Financial Analysis of the Township's Funds

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2021, the Township's governmental funds reported combined ending balances of \$5,254,817, an increase of \$2,299,490 as compared to the prior year.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The **General Fund** is the chief operating fund of Towamencin Township. As of December 31, 2021, the total fund balance of the General Fund was \$1,784,652, \$1,753,729 of which is unassigned and \$30,923 is for nonspendable prepaid expenses. The General Fund balance itself increased \$512,138 in 2021. The majority of this increase was the result of higher than anticipated inter-fund transfers in for 2021. Key factors attributing to 2021 results overall are as follows:

- Total General Fund Revenues exceeded budget by \$820,117 largely in part due to an overall increase in ACT 511 Taxes.
- Total General Fund Expenditures fell short of budget by \$62,977.

The **Traffic Impact Fund** was created in 1992 subsequent to the enactment of Act 209 of 1991. The impact fee is calculated upon (1) estimated peak afternoon trips generated by future development and (2) Township roadway improvements required to meet the increased demand of traffic. The Roadway Sufficiency Analysis, amended in 1996, resulted in the current per trip fee of \$2,198. These impact fees can be used to fund engineering, right-of-way acquisition and construction of traffic improvements in the Act 209 area.

In 2021, the Township received \$120,865 in Traffic Impact fees.

The **Debt Service Fund** provides payment for all principal and interest on Township general obligation bonds and notes, and capital lease payments. In addition, a transfer is made to the Towamencin Township Infrastructure Authority equal to its annual debt service. A real estate tax (.807 mils) is assessed for this purpose.

As of December 31, 2021, the fund balance of the Debt Service Fund was \$346,122. This is the amount available for future debt service payments.

The **Towamencin Township Infrastructure Authority** is a component unit of the Township. The Authority is charged with projects by resolution of the Township. Its current responsibility is the engineering and right-of-way acquisition for the Forty Foot Road project. The Pennsylvania Department of Transportation (PennDOT) was responsible for construction.

Revenues in 2021 included \$23 in interest earnings, \$1,015,810 in reimbursements from PennDOT and net transfers from the Township in the amount of \$1,368,282.

In 2015, the Authority advance refunded general revenue bonds issued in 2006 with Notes from First National Bank and Trust Company of Newtown with a fixed interest rate of 2.5%. In 2019, the First National Bank and Trust Company of Newtown Notes were refunded and now reside with DVRFA and have a fixed interest rate of 1.743%. Debt Service expense paid in 2021 was \$1,187,748.

The **General Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from an annual transfer from the General Fund, the sale of fixed assets, real estate taxes and various grants. In 2021, intergovernmental revenues were \$1,122,996 and the sale of assets generated \$47,173. Some expenditures in this fund included the replacement of the police department roof, one Public Works vehicle, stormwater repairs in response to Hurricane Ida, and Forty Foot Road widening work.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The **Park Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from real estate taxes, grants, impact fees, and from the sale of fixed assets. Monies spent in this fund in 2021 were used to re-tile a portion of the pool and do work on the Kriebel Road trail connector.

Capital Assets and Debt Administration

Capital Assets - The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2021 totals \$45,326,051 and \$689,989, respectively (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, machinery and equipment, automobiles and trucks, sanitary sewer, and infrastructure improvements. Infrastructure includes roads, bridges, and traffic signals. The business-type activities are the sanitary sewer lines, pumping stations and equipment.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 4,959,269	\$ -
Sewer system and plant	-	823,864
Vehicles	2,234,135	-
Land improvements	9,072,529	-
Buildings and improvements	9,602,759	-
Machinery and equipment	3,830,690	36,372
Infrastructure	59,955,727	-
Accumulated depreciation	<u>(44,329,058)</u>	<u>(170,247)</u>
TOTAL	<u>\$ 45,326,051</u>	<u>\$ 689,989</u>

This year's major additions included:

GOVERNMENTAL ACTIVITIES

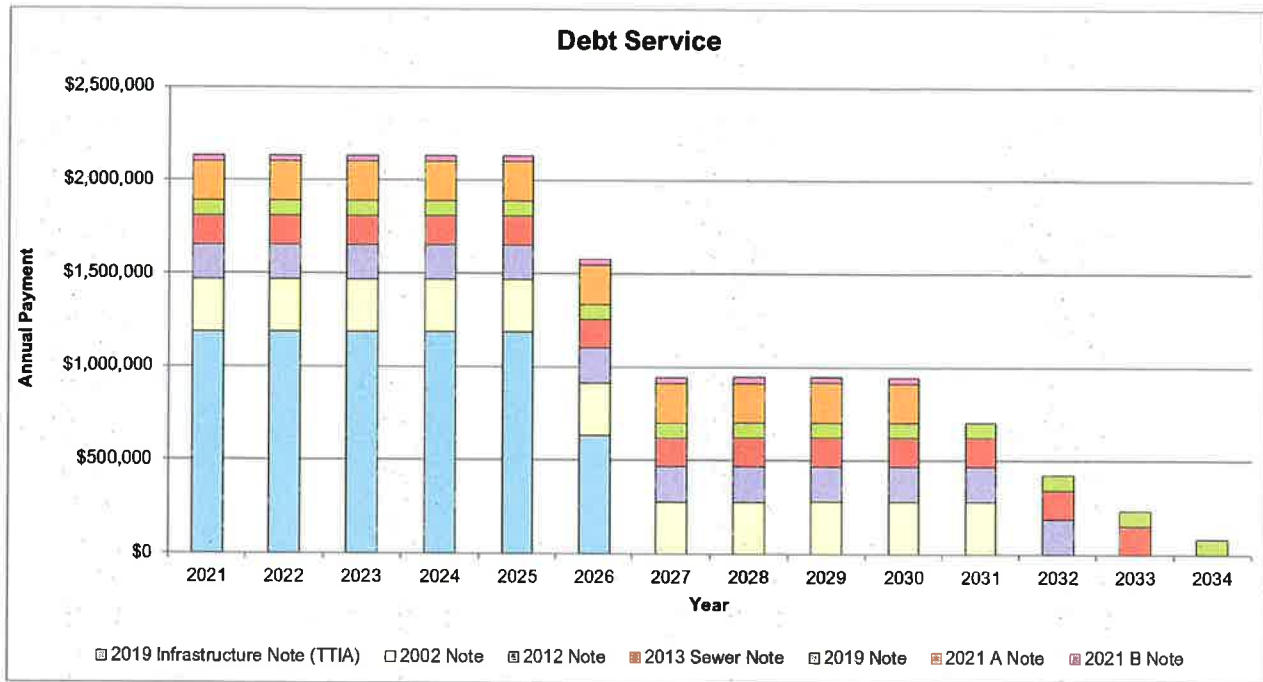
Police Department roof replacement	90,092
(1) Public Works vehicle	87,013
Forty Foot Road Widening	1,260,557

Additional information about the Township's capital assets can be found in Note E on pages 42 and 43 of this report.

Long-Term Debt - In 2021, the Township received proceeds from the Series of 2021 General Obligation Notes in the amount of \$2,300,000. At year-end the Township had \$12,847,000 in outstanding bonds and notes compared to \$12,090,000 last year for governmental activities. The Infrastructure Authority's debt of \$5,187,000 is included in these amounts. The principal that is due within one year for governmental activities is \$1,790,000.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The Chart below outlines the payment structure of the outstanding bonds and notes for the Township and the Infrastructure Authority including interest.



Additional information about the Township's long-term debt can be found in Note G on pages 44 through 49 of this report.

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Economic Factors

Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 18,440 and 7,640 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale.

The top three major employers in the Township are:

1. North Penn School District
2. SKF USA, Inc.
3. Greene Tweed & Co., Inc.

The assessed valuations of the three largest taxpayers are:

- | | | |
|----|---|--------------|
| 1. | Towamencin Apt. Joint Venture
Jacobs Woods Apartments | \$26,381,000 |
| 2. | KCI Lansdale Investors, LP
Ave Lansdale Apartments | \$20,700,000 |
| 3. | Souderton Industrial Development Authority
Dock Woods Community, Inc.
Dock Terrace Nursing Home | \$13,666,300 |

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

NEXT YEAR'S BUDGET

The elected officials of Towamencin Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2022 real estate tax rate will remain at 4.558 mils and the homestead and farmstead exemptions will be increased to \$50,000 (previously \$45,000). Therefore, a "typical" household with a 151,000 real estate tax assessment will pay \$460 in real estate taxes. Approximately 4,500 homeowners in the Township participate in the homestead exemption program.

The sewer rental fee will increase to \$450 per EDU in 2022, an increase of \$75 compared to the \$375 per EDU charge for 2021. This is the first increase in the sewer rental fee since 2008. Property owners with on-lot sewer systems will continue to be charged annually to cover the costs of inspections required by the Commonwealth of Pennsylvania. For many years, the Township had been successful in receiving grant funds from DEP to offset the cost of inspections. These grant funds have been continually declining. Consequently, the Board began collecting fees in 2012 to cover the cost of the program. The Board increased the inspection interval from three to four years for on-lot systems resulting in a decrease of the annual fee from \$40 to \$30 beginning 2017. This fee will continue through 2022.

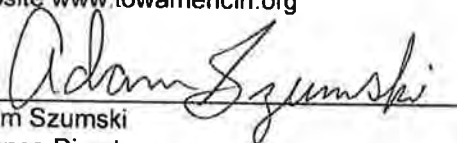
On the expense side, the Township plans to focus efforts on the repairs needed to the Skippack Creek Interceptor. The 2022 budget provides \$463,050 for that purpose. Additional capital expenses include \$318,333 in grant-funded traffic signal improvements, \$1,013,000 in paving and curbing work not completed in 2021, and \$1,169,840 in Kriebel Connector Trail improvements. Other projects included are storm water management work, building improvements, vehicles and equipment replacement, IT upgrades, and continued work on the Veteran's Park master plan. Included in the capital budget is \$831,100 of budgeted stormwater capital expenses funded by American Rescue Plan Act (ARPA) proceeds.

Despite budgeting challenges created by present-day economic conditions, the Township strives to provide the same high level of services to its residents as in past years.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Adam Szumski, Finance Director, Towamencin Township, 1090 Troxel Road, Lansdale, PA 19446 or by telephone at 215-368-7602.

General information relating to Towamencin Township, Pennsylvania can be found at the Township's website www.towamencin.org


Adam Szumski
Finance Director

TOWAMENCIN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Towamencin Municipal Authority
ASSETS				
Cash and cash equivalents	\$ 5,365,369	\$ 5,113,236	\$ 10,478,605	\$ 1,492,437
Accounts receivable	1,097,383	679,008	1,776,391	86,034
Taxes receivable	155,988	-	155,988	-
Due from primary government	-	-	-	16,632
Due from component unit	-	12,725	12,725	-
Prepaid expenses	55,884	2,747	58,631	6,112
Net pension asset	1,925,380	-	1,925,380	-
Capital assets				
Land	4,959,269	-	4,959,269	-
Land improvements	9,072,529	-	9,072,529	-
Buildings and improvements	9,602,759	-	9,602,759	-
Machinery and equipment	3,830,690	36,372	3,867,062	-
Vehicles	2,234,135	-	2,234,135	-
Infrastructure	59,955,727	-	59,955,727	-
Sewer system and plant	-	823,864	823,864	59,379,916
Accumulated depreciation	(44,329,058)	(170,247)	(44,499,305)	(37,285,983)
TOTAL ASSETS	53,926,055	6,497,705	60,423,760	23,695,148
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources, pension activity	1,336,755	-	1,336,755	-
Deferred outflows of resources, OPEB activity	786,845	-	786,845	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,123,600	-	2,123,600	-
LIABILITIES				
Accounts payable and accrued expenses	352,205	18,445	370,650	219,912
Payroll and withholding taxes payable	80,297	-	80,297	-
Due to primary government	-	-	-	12,725
Due to component unit	-	16,632	16,632	-
Unearned revenues	965,102	-	965,102	-
Escrow deposits	-	-	-	7,515
Accrued interest	3,374	-	3,374	-
Long-term liabilities				
Portion due or payable within one year				
Bonds and note payable	1,790,000	133,000	1,923,000	445,000
Capital lease payable	141,923	-	141,923	-
Portion due or payable after one year				
Bonds and note payable	11,057,000	1,575,000	12,632,000	6,718,000
Capital lease payable	3,997	-	3,997	-
Compensated absences	23,674	-	23,674	-
Total OPEB liability	4,469,564	-	4,469,564	-
TOTAL LIABILITIES	18,887,136	1,743,077	20,630,213	7,403,152
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	3,519,928	-	3,519,928	-
Deferred inflows of resources, OPEB activity	734,999	-	734,999	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,254,927	-	4,254,927	-
NET POSITION				
Net investment in capital assets	32,333,131	689,989	33,023,120	14,930,933
Restricted	1,872,095	-	1,872,095	881,201
Unrestricted	(1,297,634)	4,064,639	2,767,005	479,862
TOTAL NET POSITION	\$ 32,907,592	\$ 4,754,628	\$ 37,662,220	\$ 16,291,996

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,403,159	\$ 106,285	\$ 388,646	\$ -
Public safety	5,157,878	496,597	182,360	-
Parks and recreation	992,974	601,799	1,112,243	-
Highways	5,191,949	383,485	1,504,570	267,650
Interest on long-term debt	221,762	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	13,967,722	1,588,166	3,187,819	267,650
BUSINESS-TYPE ACTIVITIES				
Sewer Fund	3,924,688	4,372,241	937,926	-
Sewer Capital Fund	371,445	-	99,156	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,296,133	4,372,241	1,037,082	-
TOTAL PRIMARY GOVERNMENT	\$ 18,263,855	\$ 5,960,407	\$ 4,224,901	\$ 267,650
COMPONENT UNIT				
Towamencin Municipal Authority	\$ 5,267,269	\$ 4,445,808	\$ -	\$ -
GENERAL REVENUES				
Taxes				
Real estate taxes, net				
Local services tax				
Real estate transfer tax				
Earned income tax				
Cable franchise fees				
Earnings on investments				
Gain on sale of capital assets				
Miscellaneous				
TRANSFERS, net				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Totals	Towamencin Municipal Authority
\$ (1,908,228)	\$ -	\$ (1,908,228)	\$ -
(4,478,921)	-	(4,478,921)	-
721,068	-	721,068	-
(3,036,244)	-	(3,036,244)	-
(221,762)	-	(221,762)	-
<u>(8,924,087)</u>	<u>-</u>	<u>(8,924,087)</u>	<u>-</u>
-	1,385,479	1,385,479	-
-	(272,289)	(272,289)	-
-	1,113,190	1,113,190	-
<u>(8,924,087)</u>	<u>1,113,190</u>	<u>(7,810,897)</u>	<u>-</u>
-	-	-	(821,461)
4,031,234	-	4,031,234	-
388,193	-	388,193	-
932,015	-	932,015	-
3,836,288	-	3,836,288	-
339,997	-	339,997	-
2,286	2,924	5,210	1,967
47,173	-	47,173	-
12,186	-	12,186	-
258,439	(258,439)	-	-
<u>9,847,811</u>	<u>(255,515)</u>	<u>9,592,296</u>	<u>1,967</u>
923,724	857,675	1,781,399	(819,494)
<u>31,983,868</u>	<u>3,896,953</u>	<u>35,880,821</u>	<u>17,111,490</u>
\$ <u><u>32,907,592</u></u>	\$ <u><u>4,754,628</u></u>	\$ <u><u>37,662,220</u></u>	\$ <u><u>16,291,996</u></u>

TOWAMENCIN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Traffic Impact Fund	Debt Service Fund	General Capital Fund
ASSETS				
Cash and cash equivalents	\$ 1,878,424	\$ 79,062	\$ 345,865	\$ 783,178
Accounts receivable	112,426	10,700	-	-
Taxes receivable, net	148,014	-	4,962	-
Due from other funds	891,000	3,913,601	-	-
Prepaid expenses	30,923	-	-	-
TOTAL ASSETS	\$ 3,060,787	\$ 4,003,363	\$ 350,827	\$ 783,178
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 296,392	\$ -	\$ -	\$ 27,331
Due to other funds	-	-	-	-
Unearned revenue	965,102	-	-	-
TOTAL LIABILITIES	1,261,494	-	-	27,331
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	14,641	-	4,705	-
FUND BALANCES				
Nonspendable, prepaid expenses	30,923	-	-	-
Restricted				
Highway and street projects	-	-	-	-
Street lights	-	-	-	-
Parks and recreation	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	346,122	-
Committed				
Public art	-	-	-	-
Traffic improvements	-	4,003,363	-	-
Assigned				
Capital projects	-	-	-	755,847
Unassigned	1,753,729	-	-	-
TOTAL FUND BALANCES	1,784,652	4,003,363	346,122	755,847
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,060,787	\$ 4,003,363	\$ 350,827	\$ 783,178

See accompanying notes to the basic financial statements.

<u>Infrastructure Authority</u>	<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 48,984	\$ 862,521	\$ 1,367,335	\$ 5,365,369
972,792	-	1,465	1,097,383
-	-	3,012	155,988
-	-	-	4,804,601
-	-	24,961	55,884
<u>\$ 1,021,776</u>	<u>\$ 862,521</u>	<u>\$ 1,396,773</u>	<u>\$ 11,479,225</u>
\$ 1,763	\$ 440	\$ 106,576	\$ 432,502
4,804,601	-	-	4,804,601
-	-	-	965,102
<u>4,806,364</u>	<u>440</u>	<u>106,576</u>	<u>6,202,205</u>
-	-	2,857	22,203
-	-	24,961	55,884
-	-	564,937	564,937
-	-	2,967	2,967
-	-	95,988	95,988
-	862,081	-	862,081
-	-	-	346,122
-	-	147,869	147,869
-	-	-	4,003,363
-	-	482,107	1,237,954
(3,784,588)	-	(31,489)	(2,062,348)
<u>(3,784,588)</u>	<u>862,081</u>	<u>1,287,340</u>	<u>5,254,817</u>
<u>\$ 1,021,776</u>	<u>\$ 862,521</u>	<u>\$ 1,396,773</u>	<u>\$ 11,479,225</u>

TOWAMENCIN TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>5,254,817</u>
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:</p>	
Land	4,959,269
Land improvements, net of accumulated depreciation of \$2,897,836	6,174,693
Buildings and improvements, net of accumulated depreciation of \$3,540,510	6,062,249
Machinery and equipment, net of accumulated depreciation of \$3,015,846	814,844
Vehicles, net of accumulated depreciation of \$1,647,418	586,717
Infrastructure, net of accumulated depreciation of \$33,227,448	<u>26,728,279</u>
	<u>45,326,051</u>
Deferred inflows and outflows of resources related to pension activities are not financial resources and, therefore, are not reported in the Governmental Funds.	<u>(2,183,173)</u>
Deferred inflows and outflows of resources related to OPEB activities are not financial resources and, therefore, are not reported in the Governmental Funds.	<u>51,846</u>
Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>22,203</u>
Long-term assets and liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All assets and liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2021, are:	
Accrued interest on bonds	(3,374)
Bonds and note payable	(12,847,000)
Capital leases	(145,920)
Compensated absences	(23,674)
Total OPEB liability	(4,469,564)
Net pension asset	<u>1,925,380</u>
	<u>(15,564,152)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>32,907,592</u></u>

See accompanying notes to the basic financial statements.

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TOWAMENCIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Traffic Impact Fund	Debt Service Fund
REVENUES			
Real estate taxes, net	\$ 2,881,399	\$ -	\$ 713,494
Earned income taxes	3,835,518	-	-
Local services tax	388,193	-	-
Real estate transfer tax	932,015	-	-
Intergovernmental revenues	450,547	-	-
Licenses and permits	774,028	-	-
Fines and forfeits	44,099	-	-
Charges for services	96,041	-	-
Departmental earnings	-	283,485	-
Investment income and rents	25,401	16	-
Miscellaneous	25,293	-	-
TOTAL REVENUES	<u>9,452,534</u>	<u>283,501</u>	<u>713,494</u>
EXPENDITURES			
General government	1,887,427	-	-
Public safety	5,266,109	-	298,300
Parks and recreation	8,100	-	-
Highways	1,290,184	-	-
Debt service			
Principal retirement	-	-	589,396
Interest paid	-	-	123,242
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>8,451,820</u>	<u>-</u>	<u>1,010,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,000,714</u>	<u>283,501</u>	<u>(297,444)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	-	-	300,000
Operating transfers out	(3,259,908)	(240,962)	(1,195,282)
Operating transfers in	2,771,332	-	1,413,870
Proceeds from sale of fixed assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(488,576)</u>	<u>(240,962)</u>	<u>518,588</u>
NET CHANGE IN FUND BALANCES	512,138	42,539	221,144
FUND BALANCES AT BEGINNING OF YEAR	<u>1,272,514</u>	<u>3,960,824</u>	<u>124,978</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,784,652</u>	<u>\$ 4,003,363</u>	<u>\$ 346,122</u>

See accompanying notes to the basic financial statements.

General Capital Fund	Infrastructure Authority	Fischer's Park	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 433,849	\$ 4,028,742
-	-	-	-	3,835,518
-	-	-	-	388,193
-	-	-	-	932,015
1,122,996	1,015,810	-	621,848	3,211,201
-	-	-	-	774,028
-	-	-	-	44,099
-	-	-	-	96,041
-	-	-	347,040	630,525
-	23	125	196	25,761
100,000	-	236,397	258,875	620,565
<u>1,222,996</u>	<u>1,015,833</u>	<u>236,522</u>	<u>1,661,808</u>	<u>14,586,688</u>
-	1,133,732	-	4,116	3,025,275
-	-	-	389,579	5,953,988
-	-	219,203	788,219	1,015,522
-	-	-	-	1,290,184
-	1,091,000	-	-	1,680,396
-	96,748	-	-	219,990
1,707,455	-	-	-	1,707,455
<u>1,707,455</u>	<u>2,321,480</u>	<u>219,203</u>	<u>1,181,914</u>	<u>14,892,810</u>
(484,459)	(1,305,647)	17,319	479,894	(306,122)
1,639,486	-	-	360,514	2,300,000
(489,486)	-	(58,907)	(265,500)	(5,510,045)
-	1,368,282	-	215,000	5,768,484
47,173	-	-	-	47,173
<u>1,197,173</u>	<u>1,368,282</u>	<u>(58,907)</u>	<u>310,014</u>	<u>2,605,612</u>
712,714	62,635	(41,588)	789,908	2,299,490
43,133	(3,847,223)	903,669	497,432	2,955,327
<u>\$ 755,847</u>	<u>\$ (3,784,588)</u>	<u>\$ 862,081</u>	<u>\$ 1,287,340</u>	<u>\$ 5,254,817</u>

TOWAMENCIN TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,299,490

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 depreciation (\$2,367,885) exceeds capital outlays (\$579,122) in the current period. (1,788,763)

Revenues in the statement of activities that do not provide current resources are not recorded as revenues in the funds. 3,262

The issuance of long-term debt (e.g., bonds, note, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(2,300,000)
Principal repayments	1,680,366
	<u>(619,634)</u>

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment combines the net changes of these balances.

Compensated absences	8,423
OPEB expense	(137,011)
Pension expense	1,159,699
Accrued interest on bonds	<u>(1,742)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 923,724

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
ASSETS			
Cash and cash equivalents	\$ 2,503,020	\$ 2,610,216	\$ 5,113,236
Accounts receivable	589,758	89,250	679,008
Due from other governments	12,725	-	12,725
Prepaid expenses	2,747	-	2,747
Capital assets	36,372	823,864	860,236
Accumulated depreciation	(36,372)	(133,875)	(170,247)
TOTAL ASSETS	\$ 3,108,250	\$ 3,389,455	\$ 6,497,705
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 2,811	\$ 15,634	\$ 18,445
Due to other governments	16,632	-	16,632
Current portion of note payable	133,000	-	133,000
TOTAL CURRENT LIABILITIES	152,443	15,634	168,077
NONCURRENT LIABILITIES			
Long-term note payable	1,575,000	-	1,575,000
TOTAL LIABILITIES	1,727,443	15,634	1,743,077
NET POSITION			
Net investment in capital assets	-	689,989	689,989
Unrestricted	1,380,807	2,683,832	4,064,639
TOTAL NET POSITION	1,380,807	3,373,821	4,754,628
TOTAL LIABILITIES AND NET POSITION	\$ 3,108,250	\$ 3,389,455	\$ 6,497,705

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
OPERATING REVENUES			
Sewer rents	\$ 5,310,167	\$ -	\$ 5,310,167
Connection fees	-	68,464	68,464
Operating grants and contributions	-	30,692	30,692
TOTAL OPERATING REVENUES	<u>5,310,167</u>	<u>99,156</u>	<u>5,409,323</u>
OPERATING EXPENSES			
Sewage disposal	3,860,176	314,317	4,174,493
Administration	44,155	36,532	80,687
TOTAL OPERATING EXPENSES	<u>3,904,331</u>	<u>350,849</u>	<u>4,255,180</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,405,836	(251,693)	1,154,143
DEPRECIATION	-	20,596	20,596
OPERATING INCOME (LOSS)	<u>1,405,836</u>	<u>(272,289)</u>	<u>1,133,547</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	372	2,552	2,924
Interest expense	(20,357)	-	(20,357)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(19,985)</u>	<u>2,552</u>	<u>(17,433)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(1,175,439)	(176,000)	(1,351,439)
Operating transfers in	-	1,093,000	1,093,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,175,439)</u>	<u>917,000</u>	<u>(258,439)</u>
CHANGE IN NET POSITION	210,412	647,263	857,675
NET POSITION AT BEGINNING OF YEAR	<u>1,170,395</u>	<u>2,726,558</u>	<u>3,896,953</u>
NET POSITION AT END OF YEAR	<u>\$ 1,380,807</u>	<u>\$ 3,373,821</u>	<u>\$ 4,754,628</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,324,729	\$ 68,464	\$ 5,393,193
Payments to suppliers and others	(3,881,860)	(350,652)	(4,232,512)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,442,869</u>	<u>(282,188)</u>	<u>1,160,681</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to)/from other funds	(1,175,439)	917,000	(258,439)
Due from other funds	-	39,358	39,358
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,175,439)</u>	<u>956,358</u>	<u>(219,081)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on note payable	(132,000)	-	(132,000)
Interest paid on note payable	(20,357)	-	(20,357)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(152,357)</u>	<u>-</u>	<u>(152,357)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	372	2,552	2,924
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,445	676,722	792,167
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,387,575</u>	<u>1,933,494</u>	<u>4,321,069</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,503,020</u>	<u>\$ 2,610,216</u>	<u>\$ 5,113,236</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,405,836	\$ (272,289)	\$ 1,133,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	20,596	20,596
Change in assets and liabilities			
Accounts receivable	14,562	(30,692)	(16,130)
Due from other government	8,975	-	8,975
Due to other governments	16,632	-	16,632
Prepaid expenses	(2,747)	-	(2,747)
Accounts payable and accrued expenses	(389)	197	(192)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,442,869</u>	<u>\$ (282,188)</u>	<u>\$ 1,160,681</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Trust Funds	Custodial Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 656,501	\$ 2,566,013	\$ 3,222,514
Investments			
Government securities	1,534,499	-	1,534,499
Corporate bonds	803,682	-	803,682
Equity mutual funds	2,214,270	-	2,214,270
Common stocks	18,611,521	-	18,611,521
Other receivables	-	2	2
Prepaid expenses	83,861	-	83,861
TOTAL ASSETS	\$ 23,904,334	\$ 2,566,015	\$ 26,470,349
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 37,162	\$ 37,162
NET POSITION			
Restricted for pensions	23,904,334	-	23,904,334
Restricted for developers	-	2,528,853	2,528,853
TOTAL LIABILITIES AND NET POSITION	\$ 23,904,334	\$ 2,566,015	\$ 26,470,349

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 1,118,150	\$ -	\$ 1,118,150
Investment gain	3,662,350	-	3,662,350
Miscellaneous revenue	44,486	-	44,486
Payments from developers	-	1,809,097	1,809,097
TOTAL ADDITIONS	<u>4,824,986</u>	<u>1,809,097</u>	<u>6,634,083</u>
DEDUCTIONS			
Benefit payments to retired plan participants	972,794	-	972,794
Administrative	18,200	-	18,200
Payments to developers	-	347,928	347,928
TOTAL DEDUCTIONS	<u>990,994</u>	<u>347,928</u>	<u>1,338,922</u>
CHANGE IN NET POSITION	3,833,992	1,461,169	5,295,161
NET POSITION AT BEGINNING OF YEAR	<u>20,070,342</u>	<u>1,067,684</u>	<u>21,138,026</u>
NET POSITION AT END OF YEAR	<u>\$ 23,904,334</u>	<u>\$ 2,528,853</u>	<u>\$ 26,433,187</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Reporting Entity

Towamencin Township (the "Township") was created in 1728 and operates under the Second Class Township Code as prescribed by the Commonwealth of Pennsylvania. The Township's major services include safety, health and welfare, fire protection, parks and recreation and general administration.

For financial reporting purposes, Towamencin Township's primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component units, which are legally separate organizations for which the Township's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. Blended and Fiduciary component units are legally separate entities; however, they place a financial burden on the Township and the Township can impose its will on them. Thus, blended and fiduciary component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Units

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. Towamencin Township has two blended component units.

The Towamencin Township Infrastructure Authority (the "Infrastructure Authority") is considered a component unit of the Township. The Infrastructure Authority is a public corporation incorporated on January 9, 1997 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Infrastructure Authority is a financing authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Infrastructure Authority.

The Towamencin Authority ("TTA") is considered a component unit of the Township. The Towamencin Authority is a public corporation incorporated on March 3, 1998 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Towamencin Authority is organized for the purpose of undertaking certain projects, associated with land owned or leased by Towamencin Township, which have been specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Towamencin Authority.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Component Units

- The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board of trustees comprised of members appointed by the Township Supervisors and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.
- The Non-Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provides pensions for all non-uniformed employees of the Township. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board of trustees comprised of members appointed by the Township Supervisors and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

Discretely Presented Component Unit

In conformity with GAAP, the Towamencin Municipal Authority has been included in the reporting entity as a discretely presented component unit in a separate column in the financial statements to emphasize that it is legally separate from the Township. The Authority owns and operates the sewage treatment plant located on Kriebel Road and owns the sewer system in Towamencin Township, which is leased back to the Township for operation and maintenance. The Authority reports on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

Complete financial statements for the individual component units may be obtained at the Township's administrative offices.

Government-Wide and Fund Financial Statements

Government-Wide

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements excluded fiduciary activities such as pension and custodial funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements. Therefore, governmental fund financial statements included reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Internal activity is limited to interfund transfers, which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislations. The net position restricted for other purposes result from the sewer capital projects fund and the restrictions on their net position use.

Fund Financial Statements

Fund Financial Statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type. All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund, the traffic impact fund, the Infrastructure Authority fund, the debt service fund, and Fischer's Park Fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the highway aid fund, parks and recreation fund, fire fund, street light fund, park capital fund, public arts fund, pool fund, general capital fund, and Towamencin Authority fund.

The Township reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Traffic Impact Fund* is maintained to account for the accumulation of resources for acquisition of fixed assets.
- The *Debt Service Fund* accounts for proceeds of special revenue sources that are restricted to the repayment of debt.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Infrastructure Authority Fund* accounts for proceeds of special revenue sources that are restricted to expenditures for construction of infrastructure capital assets.
- The *Fischer's Park Fund* accounts for proceeds of special revenue sources that are restricted to capital projects.
- The *General Capital Fund* provides funding for major capital expenditures of the Township.

The Township reports the following proprietary funds:

- The *Sewer Fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The *Sewer Fund* accounts for the Township's sewer system. The *Sewer Capital Fund* accounts for accumulation of resources to pay for capital improvements for the sewer operations.
- The Township, specifically its *Sewer Fund*, leases the sewage collection system, located within its geographic boundaries, from the Towamencin Municipal Authority (TMA). The *Sewer Fund* operates the sewer system and charges the owners of each property connected to the sewer system rents which shall be sufficient to pay (1) TMA service charges and operating expenses under the service agreement and (2) *Sewer Fund* operating expenses. TMA has agreed, pursuant to the service agreement, to treat and dispose of the sewage received from the sewage collection system.

Additionally, the government reports the following fund types:

- The *Pension Trust Funds* account for the activities of the Police and Non-Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.
- The *Custodial Fund* accounts for monies held by the Township on a purely custodial basis.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 property and earned income tax revenue to be available if collected within 30 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Revenue Recognition

Property tax and earned income tax receivables collected after 30 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The Measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concern determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are enterprise funds. These funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees. Operating expenses for the Township's enterprise funds include sewer disposal, supplies and administration costs. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Fund Balance

Deposits and Investments

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

With the exception of Pension Trust Funds, statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository under PA Act 72. Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2021, was in excess of the minimum requirements just described.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent. Investments for the Township, as well as for its component units, are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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 noncurrent portion on interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2021, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

For 2021, tax was levied on the assessed value of real estate at a total of 4.5580 mills.

Other taxes levied in 2021 were real estate transfer taxes, earned income tax, and local service tax.

Capital Assets

Capital assets, which include property, land and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-45
Building and improvement	10-50
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	10-100

Compensated Absences

It is the Township's policy to permit certain employees to accumulate earned but unused vacation and comp time. The accumulation is subject to terms discussed in the collective bargaining agreements. Vacation and compensatory time is accrued when earned.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of any applicable bond premium or discount. Issuance costs are expensed as incurred.

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

Net Position and Fund Balance

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

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the entity, not restricted for any project or other purpose.

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

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

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

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

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the Township Manager or Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

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

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between expected and actual experience of the plans. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions and benefit payments made subsequent to the measurement date.

In addition to liabilities, the statement of financial position 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of the net difference between expected and actual experience of the plans and the net difference between projected and actual earnings on pension plan investments. The deferred inflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions and difference between expected and actual experience.

Use of Estimates in the Preparation of Financial Statements

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

Component Unit - Towamencin Municipal Authority

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a Proprietary Fund's obligations. The principal operating revenues of the Authority are sewer service and tapping fees. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Property, Plant and Equipment

The Authority defines property, plant and equipment as assets with an initial individual or project cost equal to or greater than \$2,000 that have an estimated useful life in excess of one year.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Property, plant and equipment are stated at cost. A provision for the depreciation of fixed assets has been recorded effective in the year 1975.

The Authority is depreciating plant assets over a period of 40 years and equipment over periods of five to ten years.

Expenditures for maintenance, repairs and minor replacements are expensed as incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

Annual budgets are adopted on a modified accrual basis of accounting for all Township funds, which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The Board of Township Supervisors each year, at least 30 days prior to adoption of the annual budget, begins preparation of a proposed budget for all funds for the fiscal year, which commences on the first day of January of each year, and by resolution appropriates, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted. The total appropriation shall not exceed the revenues estimated as available for the fiscal year.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Upon preparation of proposed budget, the Supervisors give public notice by advertisement in at least one newspaper of general circulation in the Township that the proposed budget will be available for public inspection. After the budget has been available for public inspection for 20 days, the Supervisors adopt the budget not later than the 31st day of December.

The Supervisors may at any time by resolution make supplemental appropriations for any lawful purposes from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing authorized by law.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Supervisors may take specific action to reserve or designate fund equity.

During the month of January, following any municipal election, the Supervisors may amend the budget and levy and tax rate to conform to its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

Excess of Expenditures over Appropriations

For the year ended December 31, 2021, expenditures exceeded appropriations in the Highways category in the general fund by \$8,030. These were funded by larger than expected revenues and accumulated fund balance.

Deficit Fund Balance

As of December 31, 2021, an accumulated deficit fund balance of \$3,784,588 exists in the Towamencin Township Infrastructure Authority Fund. The deficit in the Infrastructure Authority Fund will be eliminated when the assets are transferred to the Township.

NOTE C - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. At December 31, 2021, the carrying amount of the Township's deposits was \$13,701,119 and the bank balance was \$13,886,169. Of the bank balance, \$870,723 was covered by federal depository insurance, \$6,521,270 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name, and \$6,494,176 is held in state investment pools, which are uncollateralized and uninsured.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations.

As of December 31, 2021, the Township had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		Less Than 1 Year	1 to 5 Years	6 to 10 Years
FIDUCIARY FUNDS				
Government securities	\$ 1,534,499	\$ 4,362	\$ 715,283	\$ 814,854
Corporate bonds	803,682	7,398	-	796,284
Equity mutual funds	2,214,270	-	-	-
Common stocks	18,611,521	-	-	-
TOTAL FIDUCIARY FUNDS	\$ <u>23,163,972</u>	\$ <u>11,760</u>	\$ <u>715,283</u>	\$ <u>1,611,138</u>

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note A. The government has a formal investment policy for credit risk. A portion of the Township's cash and cash equivalents is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The Township's cash and cash equivalents held in PLGIT as of December 31, 2021 was \$6,494,176. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2021, the Township had \$20,825,791 of Level 1 investments in equity mutual funds and common stock; and \$2,338,181 of Level 2 investments in government securities and corporate bonds.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

Component Unit - Towamencin Municipal Authority

Cash and cash equivalents consist of bank deposits, money market funds and certificates of deposit. All Authority deposits are entirely insured (FDIC) or collateralized under a pooled asset program to secure public deposits, as required under Commonwealth of Pennsylvania law. As of December 31, 2021, \$1,431,753 of the Authority's bank balance of \$1,683,117 was exposed to custodial credit risk.

Cash and cash equivalents are summarized as follows:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
CURRENT ASSETS		
Operating	\$ 792,632	\$ 611,236
RESTRICTED		
Capital improvements	<u>890,485</u>	<u>881,201</u>
	<u>\$ 1,683,117</u>	<u>\$ 1,492,437</u>

Other

The Authority has received contributed capital which is restricted to the purposes for which the funds were contributed. Towamencin Township has contributed funds for the cost of constructing and maintaining a pump station located within its geographic boundaries. Also, developers and others within the Towamencin Township have paid tapping fees to the Authority. The unspent portion of these contributions and accrued interest thereon are reflected as restricted assets on the Authority's statements of net position.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - RECEIVABLES

Receivables as of year-end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate are as follows:

	General Fund	Traffic Impact Fund	Debt Service Fund	Infrastructure Authority
Accounts receivable	\$ 112,426	\$ 10,700	\$ -	\$ 972,792
Taxes receivable	148,014	-	4,962	-
Sewer rent	-	-	-	-
Other receivable	-	-	-	-
	<u>\$ 260,440</u>	<u>\$ 10,700</u>	<u>\$ 4,962</u>	<u>\$ 972,792</u>

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, was as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,959,269	\$ -	\$ -	\$ 4,959,269
Construction in process	1,037,747	-	(1,037,747)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>5,997,016</u>	<u>-</u>	<u>(1,037,747)</u>	<u>4,959,269</u>
Capital assets being depreciated				
Land improvements	7,811,972	1,260,557	-	9,072,529
Infrastructure	59,955,727	-	-	59,955,727
Buildings and improvements	9,428,614	174,145	-	9,602,759
Machinery and equipment	3,765,075	65,615	-	3,830,690
Vehicles	2,251,057	116,552	(133,474)	2,234,135
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>83,212,445</u>	<u>1,616,869</u>	<u>(133,474)</u>	<u>84,695,840</u>
Accumulated depreciation				
Land improvements	(2,662,661)	(235,175)	-	(2,897,836)
Infrastructure	(31,712,908)	(1,514,540)	-	(33,227,448)
Buildings and improvements	(3,318,634)	(221,876)	-	(3,540,510)
Machinery and equipment	(2,832,442)	(183,404)	-	(3,015,846)
Vehicles	(1,568,002)	(212,890)	133,474	(1,647,418)
TOTAL ACCUMULATED DEPRECIATION	<u>(42,094,647)</u>	<u>(2,367,885)</u>	<u>133,474</u>	<u>(44,329,058)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>41,117,798</u>	<u>(751,016)</u>	<u>-</u>	<u>40,366,782</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 47,114,814</u>	<u>\$ (751,016)</u>	<u>\$ (1,037,747)</u>	<u>\$ 45,326,051</u>

<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	<u>Sewer Capital Fund</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
\$ 1,465	\$ -	\$ -	\$ -	\$ 1,097,383
3,012	-	-	-	155,988
-	589,758	89,250	-	679,008
-	-	-	2	2
<u>\$ 4,477</u>	<u>\$ 589,758</u>	<u>\$ 89,250</u>	<u>\$ 2</u>	<u>\$ 1,932,381</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Leasehold improvements	\$ 823,864	\$ -	\$ -	\$ 823,864
Machinery and equipment	36,372	-	-	36,372
TOTAL CAPITAL ASSETS BEING DEPRECIATED	860,236	-	-	860,236
Accumulated depreciation				
Leasehold improvements	(113,279)	(20,596)	-	(133,875)
Machinery and equipment	(36,372)	-	-	(36,372)
TOTAL ACCUMULATED DEPRECIATION	(149,651)	(20,596)	-	(170,247)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	710,585	(20,596)	-	689,989
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 710,585	\$ (20,596)	\$ -	\$ 689,989

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 239,480
Public safety	123,892
Parks and recreation	233,838
Highways	1,770,675
	\$ 2,367,885

Component Unit - Towamencin Municipal Authority

Property, plant and equipment consist of the following:

	Balance January 1, 2021	Additions/ Deletions	Balance December 31, 2021
Capital assets not being depreciated			
Construction in progress	\$ 132,587	\$ 94,970	\$ 227,557
Capital assets being depreciated			
Sewer plant and additions	54,769,692	168,779	54,938,471
Sewer system			
Pump station and interceptor	2,851,484	-	2,851,484
Other maintenance equipment	1,286,582	5,665	1,292,247
Office equipment	70,157	-	70,157
TOTAL CAPITAL ASSETS BEING DEPRECIATED	58,977,915	174,444	59,152,359
Accumulated depreciation	(35,954,479)	(1,331,504)	(37,285,983)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	23,023,436	(1,157,060)	21,866,376
TOTAL CAPITAL ASSETS, net	\$ 23,156,023	\$ (1,062,090)	\$ 22,093,933

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds	Transfers	
			In	Out
GENERAL FUND	\$ 891,000	\$ -	\$ 2,771,332	\$ 3,259,908
TRAFFIC IMPACT FUND	3,913,601	-	-	240,962
DEBT SERVICE FUND	-	-	1,413,870	1,195,282
GENERAL CAPITAL FUND	-	-	-	489,486
FISCHER'S PARK FUND	-	-	-	58,907
SPECIAL REVENUE FUNDS				
Fire Protection Fund	-	-	200,000	-
Parks and Recreation Fund	-	-	-	15,000
Pool Fund	-	-	15,000	-
TOTAL SPECIAL REVENUE FUNDS	-	-	215,000	15,000
CAPITAL PROJECT FUNDS				
Park Capital Fund	-	-	-	250,500
INFRASTRUCTURE AUTHORITY	-	4,804,601	1,368,282	-
ENTERPRISE FUNDS				
Sewer Fund	-	-	-	1,175,439
Sewer Capital Fund	-	-	1,093,000	176,000
TOTAL ENTERPRISE FUNDS	-	-	1,093,000	1,351,439

NOTE G - LONG-TERM DEBT

General Obligation Notes and Bonds

The government issues general obligation notes and bonds to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes and bonds have been issued for the governmental activities only. Sewer Revenue Notes were issued for Wastewater System capital projects. The original amount of notes and bonds issued was \$28,212,000.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - LONG-TERM DEBT (Continued)

General obligation notes and bonds are direct obligations and pledge the full faith and credit of the government. These notes and bonds are generally issued as 20-30 year serial notes and bonds with varying amounts of principal maturing each year. General obligation notes and bonds and guaranteed sewer notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1.2% - 2.5%	\$ 12,847,000
Business-type activities	1.0% - 4.0%	1,708,000
		<u>\$ 14,555,000</u>

Interest Rate Management: The Township has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs to participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

The significant terms of the interest rate swap were as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Type of Note</u>	<u>Rate in Effect at Year-End</u>	<u>Market Value</u>
GO Note	2002	2031	\$ 2,618,000	Fixed	1.1360%	\$ 284,541
GO Note	2012	2032	1,855,000	Fixed	1.9680%	2,018,613
GO Note	2019	2034	887,000	Fixed	2.4480%	96,405
GO Note	2021 A	2031	2,000,000	Fixed	1.0430%	217,373
GO Note	2021 B	2031	300,000	Fixed	1.0520%	32,606
Guaranteed Sewer Notes	2013	2033	1,708,000	Fixed	1.1570%	185,636

Interest Rate Risk: The Township has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Township elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15%. If the Township elects a fixed rate, the rate, with terms and conditions selected by the Township, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Township has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - LONG-TERM DEBT (Continued)

Basis Risk: The Township does not have a basis risk.

Credit Risk: The Township is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2021, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

Termination Risk: The Township is obligated to pay any Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA. In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment. The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township debt as of December 31, 2021, is shown in the table on the previous page.

In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

Rollover Risk: This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

Market Access Risk: The Township does not have this risk.

Debt service for general obligation bonds is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities. Any liabilities for compensated absences, net pension liabilities, and total OPEB liabilities are generally liquidated by the general fund.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - LONG-TERM DEBT (Continued)

Component Unit - Towamencin Municipal Authority

On May 13, 2015, the Authority issued Guaranteed Revenue Note, Series of 2015, in the maximum aggregate principal amount of \$9,300,000. On July 26, 2019, The Authority currently refunded the Series of 2015 Note by the issuance of the Guaranteed Sewer Revenue Notes, 2019 series in the aggregate par amount of \$8,026,000.

The issue is to (1) refinance the current refunding of the 2015 Notes and (2) pay the costs of issuance and fund the 2019 Project which will benefit and contribute to the health and general welfare of the Township's residents.

As a continued part of this agreement, Towamencin Township entered into a Guaranty Agreement for the timely payment of the principal and interest due on this note. Principal payments are due annually ranging from \$427,000 to \$584,000 through May 2035 at an interest rate of 2.098%.

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2021, are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2022	\$ 1,790,000	\$ 189,003	\$ 1,979,003
2023	1,818,000	160,349	1,978,349
2024	1,848,000	130,731	1,978,731
2025	1,878,000	100,600	1,978,600
2026	1,349,000	80,128	1,429,128
2027-2031	3,749,000	208,116	3,957,116
2032-2034	415,000	14,974	429,974
	<u>\$ 12,847,000</u>	<u>\$ 883,901</u>	<u>\$ 13,730,901</u>

Year Ending December 31,	Business-Type Activities		
	Principal	Interest	Totals
2022	\$ 133,000	\$ 19,762	\$ 152,762
2023	135,000	18,223	153,223
2024	136,000	16,661	152,661
2025	138,000	15,087	153,087
2026	140,000	13,491	153,491
2027-2031	724,000	42,809	766,809
2032-2034	302,000	5,253	307,253
	<u>\$ 1,708,000</u>	<u>\$ 131,286</u>	<u>\$ 1,839,286</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - LONG-TERM DEBT (Continued)

Year	Component Unit - Towamencin Municipal Authority		
	Principal	Interest	Totals
2022	\$ 445,000	\$ 144,834	\$ 589,834
2023	455,000	135,375	590,375
2024	464,000	125,719	589,719
2025	474,000	115,862	589,862
2026	484,000	105,795	589,795
2027-2031	2,577,000	370,396	2,947,396
2032-2035	2,264,000	92,297	2,356,297
	<u>\$ 7,163,000</u>	<u>\$ 1,090,278</u>	<u>\$ 8,253,278</u>

Certain equipment has been acquired under capital lease obligations to third-party lessors. The liabilities incurred through such arrangements are accounted for in the entity-wide statements as capital leases payable.

The following is an analysis of the leased assets included in property and equipment as of December 31, 2021:

Vehicles and equipment	\$ 1,545,991
Less accumulated depreciation	<u>(951,992)</u>
	<u>\$ 593,999</u>

The following is a schedule of the future minimum lease payments required under the lease obligations with their present value as of December 31, 2021:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2022	141,923	4,598	146,521
2023	3,997	59	4,056
Total value of minimum lease payments	<u>\$ 145,920</u>	<u>\$ 4,657</u>	150,577
Less amount representing interest			<u>(4,657)</u>
Present value of minimum lease payments			<u>\$ 145,920</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Notes,					
Series of 2002	\$ 2,863,000	\$ -	\$ (245,000)	\$ 2,618,000	\$ 248,000
Series of 2012	2,005,000	-	(150,000)	1,855,000	153,000
Series of 2019	944,000	-	(57,000)	887,000	59,000
Series of 2019 (TTIA)	6,278,000	-	(1,091,000)	5,187,000	1,110,000
Series of 2021 A	-	2,000,000	-	2,000,000	191,000
Series of 2021 B	-	300,000	-	300,000	29,000
TOTAL GENERAL OBLIGATION NOTES	12,090,000	2,300,000	(1,543,000)	12,847,000	1,790,000
Capital leases	283,286	-	(137,366)	145,920	141,923
Compensated absences	32,097	-	(8,423)	23,674	-
Net pension liability(asset)	1,092,590	-	(1,092,590)	-	-
Total OPEB liability	3,798,134	671,430	-	4,469,564	-
TOTAL LONG-TERM LIABILITIES	\$ 17,296,107	\$ 2,971,430	\$ (2,781,379)	\$ 17,486,158	\$ 1,931,923
BUSINESS-TYPE ACTIVITIES					
Note payable	\$ 1,840,000	\$ -	\$ (132,000)	\$ 1,708,000	\$ 133,000
COMPONENT UNIT - TOWAMENCIN MUNICIPAL AUTHORITY					
Note payable	\$ 7,599,000	\$ -	\$ (436,000)	\$ 7,163,000	\$ 445,000

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. The Township participates in a public entity risk pool (Delaware Valley Insurance Trust - DVIT) operated as a common risk management and insurance program for municipalities. DVIT retains the first \$250,000 of each general liability, police professional liability and automobile liability and assumes the first \$100,000 of each first-party property loss. Reinsurance coverage is through commercial companies. DVIT also serves as group purchaser of boiler and machinery and crime and public officials' policies for its members. The calculation of premium contributions, loss assessments and any redistribution or surplus is predicated on each participant's individual loss history. An experience modification factor is applied to annual membership contributions. The insurance expense for the year ended December 31, 2021 was \$138,732. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2021 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Towamencin Township's share was \$12,465.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2021 was \$104,818. The Trust declared a dividend in 2021. Towamencin Township's share of the dividend distribution was \$24,998. At December 31, 2021, there were no additional assessments due or anticipated. Instead, an audit of the reported 2021 payroll will be performed during the first quarter of 2022.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool, which provides both medical and dental coverage. The insurance expense for the year ended December 31, 2021 was \$1,019,828 for both medical and dental.

The Township continues to carry insurance for all other risks of loss, except unemployment compensation. The Township is a reimbursable employer under section 1202.2(a) of the Pennsylvania Unemployment Compensation Law. There has been no significant reduction in insurance coverage from the previous year in any of the Township's policies.

Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - CONTINGENT LIABILITIES

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. In the normal course of business, there are various relatively minor claims and suits pending against the Authority, none of which materially affect the financial position of the Authority.

In anticipation of infrastructure improvements, properties have been acquired along Sumneytown Pike and Forty Foot Road. One condemnee appealed the matter to the Court of Common Pleas of Montgomery County and has submitted appraisal reports claiming additional damages in the amount of \$985,000. In 2021, the Infrastructure Authority settled with the condemnee for \$990,000, which is included as general government expenditures in the financial statements. The Infrastructure Authority received a reimbursement from PennDOT from the settlement in the amount of \$891,000, which is included as capital grants in the financial statements.

The Infrastructure Authority, pursuant to a Reimbursement Agreement with PennDOT, was obligated to pay 10% of the estimated just compensation and any additional compensation as these acquisitions either amicably or by condemnation were completed. At this point, legal counsel is unable to estimate the amount of additional costs to be incurred by the Infrastructure Authority for legal fees, appraisal fees, engineers' fees, land planners' fees, etc. for all of the Infrastructure Authority's acquisitions relating to this project.

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

The Towamencin Township Board of Supervisors has established a formal Pension Board for the management of plan assets. The Board has a total of four members comprised of an active employee representative of the plan and two Supervisors appointed by the Board of Supervisors. The members of the Pension Board serve as Trustees of the Pension Plans. The Township Manager is appointed as the chief administrative officer. The Pension Board meets with the investment consultant quarterly.

Plan Membership - At December 31, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>23</u>
	<u>44</u>

Benefits Provided - The Police Pension Plan provides retirement benefits, as well as death and disability benefits, to full-time police employees who receive an honorable discharge or to their beneficiaries under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 and with 25 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to 50 percent of their average monthly pay received during the last 36 months of employment (base pay plus longevity if hired on or after January 1, 2016), plus a service increment of \$100 per month upon completion of 26 years of service, \$200 if 27 years, \$300 if 28 years, \$400 if 29 years, and \$500 if 30 years are completed. If a police employee leaves covered employment after completing 12 years of total service, for reason other than being terminated for conviction of a felony or crime, that employee will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. Such pension or retirement benefits shall be paid on the date the employee reaches retirement age. A member is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at early retirement. If an active member is disabled in the line of duty, he is eligible for disability pay, equal to 50% of the member's monthly salary at time of disability, offset by Social Security Disability Benefit.

If a member dies in service, a benefit will be paid per Acts 51 and 101 by the Commonwealth of Pennsylvania to the surviving spouse. Covered employees are required by statute to contribute 5% of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Contributions - Officers who are members in the plan are required to contribute 5% of applicable wages to the plan. Interest is credited to each member's account each year at 7% per year. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation ("MMO"), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The Commonwealth provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2021, the MMO obligation for the Police Pension Plan was \$725,298. Contributions of \$743,498 were made by the Township.

DROP - Effective October 14, 2015, members who have attained age 53 and completed 25 years of service may elect to participate in the DROP. A later DROP entry is not permitted. The DROP period may not exceed 12 months. No employees were in the plan as of December 31, 2021.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Pension Board. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62%
International equity	13%
Fixed income	20%
Cash	5%
	<u>100%</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 18.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) of the Township

The components of the net pension liability (asset) of the Township at December 31, 2021, were as follows:

Total pension liability	\$ 17,151,627
Plan fiduciary net position	<u>(18,720,343)</u>
NET PENSION LIABILITY (ASSET)	\$ <u>(1,568,716)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>109.15%</u>

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.0%

Mortality rates were based on the PubS-2010 mortality table.

The long-term expected rate of return on 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 plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2021 (see the plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Cash	0.00%-1.00%

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2020	\$ 16,406,733	\$ 15,735,109	\$ 671,624
Changes for the year			
Service cost	384,662	-	384,662
Interest	1,179,815	-	1,179,815
Changes for Experience	(68,441)	-	(68,441)
Contributions			
Employer	-	743,498	(743,498)
Member	-	130,126	(130,126)
Net investment income	-	2,874,552	(2,874,552)
Benefit payments	(751,142)	(751,142)	-
Administrative expense	-	(11,800)	11,800
Net changes	<u>744,894</u>	<u>2,985,234</u>	<u>(2,240,340)</u>
Balances at December 31, 2021	<u>\$ 17,151,627</u>	<u>\$ 18,720,343</u>	<u>\$ (1,568,716)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 7.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability (asset)	\$ <u>559,729</u>	\$ <u>(1,568,716)</u>	\$ <u>(3,337,686)</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Township recognized pension income of \$126,269 for the Police Pension Plan. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,515	\$ 399,114
Change of assumptions	948,887	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,201,798</u>
Total	<u>\$ 951,402</u>	<u>\$ 2,600,912</u>

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

<u>Year Ending December 31,</u>	
2022	\$ (297,105)
2023	(682,193)
2024	(440,311)
2025	(286,981)
2026	66,863
Thereafter	<u>(9,783)</u>
	<u>\$ (1,649,510)</u>

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

Non-Uniformed Employees' Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Plan Description

Plan Administration - The Township administers the Non-Uniformed Employees' Pension Plan--a single employer defined benefit plan that covers all full-time non-uniformed employees of the Township who have met the eligibility requirements. An employee joins the plan on the first day of the month following employment. Prior to December 31, 1994, participation occurred on the first day of the year following employment. Prior to January 1, 1985, participation is assumed to start on the date of employment. Employees hired after August 1, 2014 are not eligible to participate in the plan. Beginning in August of 2014, the Township offered a Money Purchase Plan for Non-Uniformed employees hired on or after August 1, 2014. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

The Towamencin Township Board of Supervisors has established a formal Pension Board for the management of plan assets. The Board has a total of four members comprised of an active employee representative of the plan and two Supervisors appointed by the Board of Supervisors. The members of the Pension Board serve as Trustees of the Pension Plans. The Township Manager is appointed as the chief administrative officer. The Pension Board meets with the investment consultant quarterly.

Plan Membership - At December 31, 2021, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>12</u>
	<u>34</u>

Benefits Provided - The Non-Uniform Employees' Pension Plan provides retirement benefits to full-time non-uniformed employees of the Township or to their beneficiaries. All benefits vest after 10 years of credited service. Employees who retire at or after age 65 and with 10 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to two percent of their average compensation received during the last 36 months of employment multiplied by total years of service, not to exceed 25 years. Employees with 15 years of credited service may retire at or after age 60 and receive a reduced benefit. If an employee leaves covered employment after completing five years of total service, for reasons other than retirement or death, the participant will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service.

The benefit provisions of the Township's Non-Uniformed Employees' Pension Plan are established by Township ordinances.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Contributions - Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The Commonwealth provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2021, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$244,526. Contributions of \$244,526 were made by the Township. Non-Uniformed employees were not required to contribute to the Plan in 2021.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62%
International equity	13%
Fixed income	20%
Cash	5%
	<u>100%</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 18.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) of the Township

The components of the net pension liability (asset) of the Township at December 31, 2021, were as follows:

Total pension liability	\$ 4,675,558
Plan fiduciary net position	<u>(5,032,222)</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (356,664)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>107.63%</u>

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.0%

Mortality rates were based on the PubG-2010 mortality table.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

The long-term expected rate of return on 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 plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2021 (see the plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Cash	0.00%-1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that is expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Balances at December 31, 2020	\$ 4,648,916	\$ 4,227,950	\$ 420,966
Changes for the year			
Service cost	85,175	-	85,175
Interest	313,128	-	313,128
Contributions			
Employer	-	244,526	(244,526)
Changes for experience	(150,009)	-	(150,009)
Net investment income	-	787,798	(787,798)
Benefit payments	(221,652)	(221,652)	-
Administrative expense	-	(6,400)	6,400
Net changes	<u>26,642</u>	<u>804,272</u>	<u>(777,630)</u>
Balances at December 31, 2021	<u>\$ 4,675,558</u>	<u>\$ 5,032,222</u>	<u>\$ (356,664)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 7.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability (asset)	\$ <u>203,646</u>	\$ <u>(356,664)</u>	\$ <u>(832,476)</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Township recognized pension income of \$45,406 for the Non-Uniformed Employees' Pension Plan. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,645	\$ 301,552
Change of assumptions	378,708	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>617,464</u>
Total	<u>\$ 385,353</u>	<u>\$ 919,016</u>

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

<u>Year Ending December 31,</u>	
2022	\$ (105,765)
2023	(203,290)
2024	(97,937)
2025	(101,666)
2026	<u>(25,006)</u>
	<u>\$ (533,663)</u>

NOTE L - NON-UNIFORMED EMPLOYEES MONEY PURCHASE PLAN

The Non-Uniformed Employees' Money Purchase Plan provides retirement benefits to full time non-uniformed employees of the Township who were hired on or after August 1, 2014. Benefits vest on a percentage basis according to years of service beginning after 3 years and are fully vested after 7 years of service. The Township contributes on behalf of each participant 3.5% of earnings for the plan year. A member is eligible for normal retirement after the attainment of age 65. The Plan does not issue stand-alone financial statements.

The authority under which obligations to contribute to the Plan by the plan members, the employer and other contributing entities is established or may be amended by Township Ordinance.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE M - EMPLOYEE PENSION PLAN

Component Unit - Towamencin Municipal Authority

The Authority provides pension benefits for its full-time employees through a defined contribution money purchase pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus earnings on plan investments.

The Authority contributes 3.5% of each eligible employee's compensation to the plan. Each eligible employee may also contribute up to 21.5% of their compensation. The contributions made by the Authority on behalf of each employee and the earnings allocated to their accounts become 100% vested upon eligibility after two years of service. Authority contributions may not be distributed to the employee until age 65, except for death or disability.

The Authority's contributions in 2021 were \$40,208. Retirement benefits may be obtained at age 59 1/2.

NOTE N - DEFERRED COMPENSATION PLAN

The Township offers a deferred compensation plan for its employees. The plan, which is designed under the provisions of Internal Revenue Code Section 457, permits employees to make voluntary contributions from their salary which are excluded from federal taxable income until future years, the deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The contributions are invested with an outside trustee and are held for the exclusive benefit of participants or their beneficiaries and are therefore not included in the accompanying combined balance sheets of the Township. The Township contributed \$305 to the plan during the year ended December 31, 2021.

Component Unit - Towamencin Municipal Authority

The Authority has a deferred compensation plan for its employees. The plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salaries which are excluded from federal taxable income. A maximum contribution of up to \$19,500 can be contributed and deferred under the plan. The contributions are invested with an outside trustee.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Description of the Plan

Through police contract, the Township agrees that it will pay seventy five (75%) percent of the premium costs of the healthcare insurance coverage plans then being offered to the active full-time Police Officers (50% for officers hired on or after October 15, 2012 and before January 1, 2016), for each superannuated retired Officer, providing said retired Officer and spouse with continued hospitalization, major medical, surgical, drug and vision care as set forth in the healthcare plan then in effect for full-time Police Officers, subject to the certain conditions. Officers hired on or after January 1, 2016 are not eligible for postemployment medical insurance. The plan does not issue a stand-alone financial report.

Such coverage shall only be provided to those Officers who have retired after completing twenty five (25) years of continuous service and have achieved fifty (50) years of age. The Township shall pay for the continued coverage and bill the retiree or spouse for the applicable percent of the premium cost. If the retiree or spouse shall fail or neglect to reimburse the premium cost to the Township within thirty (30) days of submission, the Township shall be relieved of further obligation to pay insurance for any superannuated retiree or spouse. Any superannuated retired Officer who shall elect not to participate in this post-retirement medical insurance program or, who having once participated therein, shall elect to discontinue participation in the program, for any reason whatsoever, including non-payment as described above, shall not be permitted to resume participation in the program.

Officers retiring on or after January 1, 2012 shall be able to withdraw from their Township provided health insurance coverage during those periods where they are covered by other health insurance. Upon 30 day notice, or at the time upon a COBRA qualifying event, the employee, with eligible spouse and dependents, may enroll in the Township health insurance plans.

The Township's duty to continue to pay seventy five (75%) or fifty (50%) percent of the premium costs for a superannuated retiree and spouse shall terminate upon the retirees eligibility for Medicare and Medicaid, or death of retiree, except that the Township shall continue to pay seventy five (75%) or fifty (50%) percent of the premium costs for surviving spouse until eligible for Medicare or Medicaid.

In the event that a police officer retires upon disability, the retiree, spouse, and any non-spouse dependents may also continue to participate in the health care insurance coverage offered through the Township until the disabled officer reaches normal retirement age. The Township shall pay the same percentage of premium costs for the coverage as that of a working officer until the officer reaches normal retirement age. At that point, he or she will be eligible for the same health insurance benefits as retired officers.

The Township also agrees to provide each retiring Officer who shall serve full term to superannuation, without cost to the Officer, life insurance coverage in the sum of five thousand (\$5,000) dollars, for the remainder of his or her life.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

In the event that an officer retires upon disability, the Township agrees to provide him or her \$50,000 of life insurance coverage until normal retirement age. The amount of life insurance is then reduced to \$5,000 for the remainder of his or her life.

Employees covered by benefit terms - At January 1, 2020, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	1
Active employees	<u>22</u>
TOTAL MEMBERSHIP	<u>37</u>

Total OPEB Liability

The Township's total OPEB liability of \$4,469,564 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial assumptions and other inputs - The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	4.5% annual increase
Discount rate	1.93%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2021.

Mortality rates were based on the PubS-2010, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability of the Township

	Total OPEB Liability (a)
BALANCES AT DECEMBER 31, 2020	\$ <u>3,798,134</u>
Changes for the year	
Service cost	180,371
Interest	127,323
Changes of assumptions	498,288
Benefit payments	<u>(134,552)</u>
NET CHANGES	<u>671,430</u>
BALANCES AT DECEMBER 31, 2021	\$ <u>4,469,564</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% in 2020 to 1.93% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.93%) or 1-percentage point higher (2.93%) than the current discount rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB liability	\$ <u>4,894,407</u>	\$ <u>4,469,564</u>	\$ <u>4,089,388</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ <u>3,945,335</u>	\$ <u>4,469,564</u>	\$ <u>5,084,745</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2021, the Township recognized OPEB expense of \$284,540. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 627,238
Change of assumptions	639,316	107,761
Benefit payments subsequent to the measurement date (1/1/2021)	<u>147,529</u>	<u>-</u>
	<u>\$ 786,845</u>	<u>\$ 734,999</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2022	\$ (23,154)
2023	(23,154)
2024	(23,154)
2025	(23,156)
2026	(43,449)
Thereafter	<u>40,384</u>
	<u>\$ (95,683)</u>

NOTE P - ESCROW CASH DEPOSITS AND INVESTMENTS

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE Q - SERVICE AGREEMENT

Sanitary Sewer Lease

The Towamencin Municipal Authority (formerly Upper Gwynedd-Towamencin Municipal Authority) (the Authority) is a public corporation organized on June 12, 1964, under the enabling state legislation (Municipality Authorities Act of 1945).

On March 2, 2015, the Authority, Upper Gwynedd Township and Towamencin Township entered into an inter-municipal agreement. As part of this agreement, Upper Gwynedd withdrew from the Authority. The Authority paid Upper Gwynedd Township \$4 million and its capital account balance with the Authority less its share of various projects. Upon withdrawal, Upper Gwynedd Township became a customer of Towamencin Township. Upper Gwynedd Township will pay \$1,125,000 to Towamencin Township adjusted annually for new residential connections or changes to commercial flow, until its project to redirect its flow is complete. Upper Gwynedd Township paid \$896,203 for the year ended December 31, 2021.

Operating Service Charges

An operating service charge based on the Authority's operating budget is payable in quarterly installments. The charge is subject to adjustment after the close of each year when actual amounts are available.

The operating service charge adjustment for the year ended December 31, 2021, applying the accrual basis, is computed as follows:

	<u>Total</u>
ALLOCATION CALCULATION	
Current year's operating service charge payments	\$ 3,160,508
Sludge removal reimbursements	449,426
Pump station reimbursement	152,551
Miscellaneous income	8,038
TOTAL OPERATING REVENUE	<u>3,770,523</u>
Current year's total operating costs	3,781,464
Less earnings on investments	1,967
NET OPERATING COSTS ALLOCATED	<u>3,779,497</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, UNDER	<u>\$ (8,974)</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE R - SUBSEQUENT EVENT

Component Unit - Towamencin Municipal Authority

On May 25, 2022, the Towamencin Township Board of Supervisors adopted Ordinance 22-04 which authorized the Township to enter into an asset purchase agreement with NextEra Water Pennsylvania LLC ("NextEra") for the sale of the Towamencin Municipal Sewer System at a purchase price of \$115,300,000. NextEra was the successful bidder of a public bid process conducted in 2021. The transaction is subject to the issuance of a Final Order approval from the Pennsylvania Public Utility Commission (PaPUC) and is not anticipated to close until 2023 or later.

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Real estate taxes, net	\$ 2,878,009	\$ 2,878,009	\$ 2,881,399	\$ 3,390
Earned income taxes	3,650,000	3,650,000	3,835,518	185,518
Local services tax	380,000	380,000	388,193	8,193
Real estate transfer tax	385,000	385,000	932,015	547,015
Intergovernmental revenues	510,058	510,058	450,547	(59,511)
Licenses and permits	679,200	679,200	774,028	94,828
Fines and forfeits	49,600	49,600	44,099	(5,501)
Charges for services	12,400	12,400	96,041	83,641
Investment income and rents	36,550	36,550	25,401	(11,149)
Miscellaneous	51,600	51,600	25,293	(26,307)
TOTAL REVENUES	<u>8,632,417</u>	<u>8,632,417</u>	<u>9,452,534</u>	<u>820,117</u>
EXPENDITURES				
General government	1,927,261	1,927,261	1,887,427	39,834
Public safety	5,296,782	5,296,782	5,266,109	30,673
Parks and recreation	8,600	8,600	8,100	500
Highways	1,282,154	1,282,154	1,290,184	(8,030)
TOTAL EXPENDITURES	<u>8,514,797</u>	<u>8,514,797</u>	<u>8,451,820</u>	<u>62,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>117,620</u>	<u>117,620</u>	<u>1,000,714</u>	<u>883,094</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(1,961,920)	(1,961,920)	(3,259,908)	(1,297,988)
Operating transfers in	1,234,346	1,234,346	2,771,332	1,536,986
TOTAL OTHER FINANCING SOURCES (USES)	<u>(727,574)</u>	<u>(727,574)</u>	<u>(488,576)</u>	<u>238,998</u>
NET CHANGE IN FUND BALANCE	<u>\$ (609,954)</u>	<u>\$ (609,954)</u>	512,138	<u>\$ 1,122,092</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,272,514</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,784,652</u>	

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TOWAMENCIN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 384,662	\$ 377,087	\$ 360,849	\$ 309,765
Interest	1,179,815	1,097,230	1,048,495	1,027,087
Differences between expected and actual experience	-	-	(424,558)	-
Changes for experience	(68,441)	-	-	-
Changes of assumptions	-	-	1,037,676	-
Benefit payments	(751,142)	(730,430)	(728,289)	(705,822)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>744,894</u>	<u>743,887</u>	<u>1,294,173</u>	<u>631,030</u>
Total pension liability, beginning	<u>16,406,733</u>	<u>15,662,846</u>	<u>14,368,673</u>	<u>13,737,643</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 17,151,627</u>	<u>\$ 16,406,733</u>	<u>\$ 15,662,846</u>	<u>\$ 14,368,673</u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 743,498	\$ 698,244	\$ 701,195	\$ 705,780
Member	130,126	129,710	118,845	113,061
Net investment income	2,874,552	1,742,820	2,569,059	(1,010,016)
Benefit payments, including refunds of member contributions	(751,142)	(730,430)	(728,289)	(705,822)
Administrative expense	(11,800)	(3,500)	(12,250)	(5,018)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>2,985,234</u>	<u>1,836,844</u>	<u>2,648,560</u>	<u>(902,015)</u>
Plan fiduciary net position, beginning	<u>15,735,109</u>	<u>13,898,265</u>	<u>11,249,705</u>	<u>12,151,720</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 18,720,343</u>	<u>\$ 15,735,109</u>	<u>\$ 13,898,265</u>	<u>\$ 11,249,705</u>
NET PENSION LIABILITY(ASSET), ENDING (a)-(b)	<u>\$ (1,568,716)</u>	<u>\$ 671,624</u>	<u>\$ 1,764,581</u>	<u>\$ 3,118,968</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>109.15%</u>	<u>95.91%</u>	<u>88.73%</u>	<u>78.29%</u>
COVERED PAYROLL	<u>\$ 2,604,044</u>	<u>\$ 2,611,400</u>	<u>\$ 2,288,083</u>	<u>\$ 2,279,226</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u>-60.24%</u>	<u>25.72%</u>	<u>77.12%</u>	<u>136.84%</u>

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	295,014	\$ 299,507	\$ 285,245	\$ 271,550
	982,099	916,059	868,469	851,785
	8,800	-	(337,966)	-
	1,051,196	-	-	-
	<u>(678,212)</u>	<u>(576,099)</u>	<u>(570,117)</u>	<u>(610,897)</u>
	1,658,897	639,467	245,631	512,438
	<u>12,078,746</u>	<u>11,439,279</u>	<u>11,193,648</u>	<u>10,681,210</u>
\$	<u><u>13,737,643</u></u>	<u><u>12,078,746</u></u>	<u><u>11,439,279</u></u>	<u><u>11,193,648</u></u>
\$	781,800	\$ 773,557	\$ 814,586	\$ 750,629
	113,068	112,433	109,860	105,271
	1,631,241	835,419	(315,299)	437,151
	(678,212)	(576,099)	(570,117)	(610,897)
	<u>(11,065)</u>	<u>(8,125)</u>	<u>(40,618)</u>	<u>(8,392)</u>
	1,836,832	1,137,185	(1,588)	673,762
	<u>10,314,888</u>	<u>9,177,703</u>	<u>9,179,291</u>	<u>8,505,529</u>
\$	<u><u>12,151,720</u></u>	<u><u>10,314,888</u></u>	<u><u>9,177,703</u></u>	<u><u>9,179,291</u></u>
\$	<u><u>1,585,923</u></u>	<u><u>1,763,858</u></u>	<u><u>2,261,576</u></u>	<u><u>2,014,357</u></u>
	<u>88.46%</u>	<u>85.40%</u>	<u>80.23%</u>	<u>82.00%</u>
\$	<u><u>2,160,268</u></u>	<u><u>2,129,513</u></u>	<u><u>2,112,439</u></u>	<u><u>2,021,915</u></u>
	<u>73.41%</u>	<u>82.83%</u>	<u>107.06%</u>	<u>99.63%</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
POLICE PENSION PLAN
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 725,298	\$ 698,244	\$ 701,195	\$ 705,780
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>743,498</u>	<u>698,244</u>	<u>701,195</u>	<u>705,780</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (18,200)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,604,044</u>	<u>\$ 2,611,400</u>	<u>\$ 2,288,083</u>	<u>\$ 2,279,226</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>28.55%</u>	<u>26.74%</u>	<u>30.65%</u>	<u>30.97%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	8 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%	3.0%
Salary increases	4.5% annual increase	5% annual increase
Investment rate of return	7.0%	7.5%
Retirement age	Latest of age 53, age at the completion of 25 years of service	Latest of age 53, age at the completion of 25 years of service
Mortality	PubS-2010 mortality table	IRS 2017 Static Tables

Assumption Changes: For the January 1, 2019 valuation, the salary increases decreased from 5.0% to 4.5%, the investment rate of return decreased from 7.5% to 7.0%, and the mortality tables were updated to the PubS-2010.

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 781,800	\$ 773,557	\$ 814,586	\$ 750,629
<u>781,800</u>	<u>773,557</u>	<u>814,586</u>	<u>750,629</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>2,160,268</u>	\$ <u>2,129,513</u>	\$ <u>2,112,439</u>	\$ <u>2,021,915</u>
<u>36.19%</u>	<u>36.33%</u>	<u>38.56%</u>	<u>37.12%</u>

January 1, 2015

January 1, 2013

Entry age normal
Level dollar, closed
5 years
Smoothed value
with a corridor of
90% to 110% of
market value
3.0%
5% annual increase
8.0%
Latest of age 53, age at the
completion of 25 years of
service
RP-2000 Table

Entry age normal
Level dollar, closed
8 years
Smoothed value
with a corridor of
90% to 110% of
market value
3.0%
5% annual increase
8.0%
Latest of age 53, age at the
completion of 25 years of
service
RP-2000 Table

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
POLICE PENSION PLAN
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<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>18.36%</u>	<u>12.34%</u>	<u>23.04%</u>	<u>-8.27%</u>	<u>15.86%</u>	<u>8.98%</u>	<u>-3.40%</u>	<u>8.00%</u>

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

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TOWAMENCIN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018
TOTAL PENSION LIABILITY				
Service cost	\$ 85,175	\$ 115,311	\$ 110,345	\$ 114,464
Interest	313,128	310,558	294,693	286,122
Differences between expected and actual experience	-	-	(272,952)	-
Changes for experience	(150,009)	-	-	-
Changes of assumptions	-	-	424,078	-
Benefit payments	(221,652)	(196,362)	(170,356)	(134,954)
NET CHANGE IN TOTAL PENSION LIABILITY	26,642	229,507	385,808	265,632
Total pension liability, beginning	4,648,916	4,419,409	4,033,601	3,767,969
TOTAL PENSION LIABILITY, ENDING (a)	\$ 4,675,558	\$ 4,648,916	\$ 4,419,409	\$ 4,033,601
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 244,526	\$ 254,184	\$ 233,686	\$ 162,506
Net investment income	787,798	480,182	684,029	(248,450)
Benefit payments, including refunds of member contributions	(221,652)	(196,362)	(170,356)	(134,954)
Administrative expense	(6,400)	(3,750)	(6,200)	(4,110)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	804,272	534,254	741,159	(225,008)
Plan fiduciary net position, beginning	4,227,950	3,693,696	2,952,537	3,177,545
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 5,032,222	\$ 4,227,950	\$ 3,693,696	\$ 2,952,537
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	\$ (356,664)	\$ 420,966	\$ 725,713	\$ 1,081,064
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (ASSET)	107.63%	90.94%	83.58%	73.20%
COVERED PAYROLL	\$ 818,036	\$ 1,014,995	\$ 995,832	\$ 1,081,870
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	-43.60%	41.47%	72.88%	99.93%

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	109,013	\$ 96,050	\$ 91,476	\$ 104,908
	267,777	238,558	223,653	216,200
	17,720	-	(92,581)	-
	363,679	-	-	-
	<u>(140,333)</u>	<u>(140,848)</u>	<u>(125,919)</u>	<u>(117,948)</u>
	617,856	193,760	96,629	203,160
	<u>3,150,113</u>	<u>2,956,353</u>	<u>2,859,724</u>	<u>2,656,564</u>
\$	<u><u>3,767,969</u></u>	<u><u>3,150,113</u></u>	<u><u>2,956,353</u></u>	<u><u>2,859,724</u></u>
\$	158,310	\$ 162,360	\$ 182,117	\$ 151,635
	443,777	242,877	(86,197)	111,632
	(140,333)	(140,848)	(125,919)	(117,948)
	<u>(9,667)</u>	<u>(7,077)</u>	<u>(9,759)</u>	<u>(4,017)</u>
	452,087	257,312	(39,758)	141,302
	<u>2,725,458</u>	<u>2,468,146</u>	<u>2,507,904</u>	<u>2,366,602</u>
\$	<u><u>3,177,545</u></u>	<u><u>2,725,458</u></u>	<u><u>2,468,146</u></u>	<u><u>2,507,904</u></u>
\$	<u><u>590,424</u></u>	<u><u>424,655</u></u>	<u><u>488,207</u></u>	<u><u>351,820</u></u>
	<u>84.33%</u>	<u>86.52%</u>	<u>83.49%</u>	<u>87.70%</u>
\$	<u><u>1,169,955</u></u>	<u><u>1,127,124</u></u>	<u><u>1,109,322</u></u>	<u><u>1,104,987</u></u>
	<u>50.47%</u>	<u>37.68%</u>	<u>44.01%</u>	<u>31.84%</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 244,526	\$ 254,182	\$ 233,686	\$ 162,506
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>244,526</u>	<u>254,182</u>	<u>233,686</u>	<u>162,506</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 818,036</u>	<u>\$ 1,014,955</u>	<u>\$ 995,832</u>	<u>\$ 1,081,870</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>29.89%</u>	<u>25.04%</u>	<u>23.47%</u>	<u>15.02%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	12 years	13 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%	3.0%
Salary increases	4.5% annual increase	5% annual increase
Investment rate of return	7.0%	7.5%
Retirement age	Normal retirement age	Normal retirement age
Mortality	PubG-2010 mortality table	IRS 2017 Static Tables
Change in benefit terms	None	None

Assumption Changes: For the January 1, 2019 valuation, the salary increases decreased from 5.0% to 4.5%, the investment rate of return decreased from 7.5% to 7.0% and the mortality tables were updated to the PubG-2010.

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

	2017	2016	2015	2014
\$	158,310	\$ 162,360	\$ 181,117	\$ 151,635
	<u>158,310</u>	<u>162,360</u>	<u>182,117</u>	<u>151,635</u>
\$	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>
\$	<u>1,169,955</u>	<u>1,127,124</u>	<u>1,109,322</u>	<u>1,104,987</u>
	<u>13.53%</u>	<u>14.40%</u>	<u>16.42%</u>	<u>13.72%</u>

January 1, 2015

January 1, 2013

Entry age normal
Level dollar closed
14 years
Smoothed value
with a corridor of
80% to 120% of
market value
3.0%
5% annual increase
8.0%
Normal retirement age
RP-2000 Table
New hires not eligible for Plan
effective August 1, 2014

Entry age normal
Level dollar closed
17 years
Smoothed value
with a corridor of
80% to 120% of
market value
3.0%
5% annual increase
8.0%
Normal retirement age
RP-2000 Table
None

TOWAMENCIN TOWNSHIP
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<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>18.82%</u>	<u>12.67%</u>	<u>23.43%</u>	<u>-7.88%</u>	<u>16.38%</u>	<u>9.89%</u>	<u>-3.41%</u>	<u>8.00%</u>

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

TOWAMENCIN TOWNSHIP
SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 180,371	\$ 188,689	\$ 199,933	\$ 174,766
Interest	127,323	160,091	140,201	152,947
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(836,318)	-	-
Changes of assumptions	498,288	162,828	(172,420)	162,390
Benefit payments	(134,552)	(188,906)	(202,396)	(199,555)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>671,430</u>	<u>(513,616)</u>	<u>(34,682)</u>	<u>290,548</u>
TOTAL OPEB LIABILITY, BEGINNING	<u>3,798,134</u>	<u>4,311,750</u>	<u>4,346,432</u>	<u>4,055,884</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 4,469,564</u>	<u>\$ 3,798,134</u>	<u>\$ 4,311,750</u>	<u>\$ 4,346,432</u>
COVERED PAYROLL	<u>\$ 2,288,084</u>	<u>\$ 2,288,084</u>	<u>\$ 2,069,869</u>	<u>\$ 2,069,869</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>195.34%</u>	<u>166.00%</u>	<u>208.31%</u>	<u>209.99%</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2021 the discount rate was changed from 3.26% to 1.93% In 2020 the discount rate was changed from 3.64% to 3.26%. In 2019 the discount rate was changed from 3.16% to 3.64%.

This schedule is intended to show information for ten years. Currently, only the information presented is available. Additional information will be presented as it becomes available.

SUPPLEMENTARY INFORMATION SECTION

TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 687,091	\$ 680,244	\$ 1,367,335
Accounts receivable	1,465	-	1,465
Taxes receivable, net	3,012	-	3,012
Prepaid expenses	24,961	-	24,961
	<u>716,529</u>	<u>680,244</u>	<u>1,396,773</u>
TOTAL ASSETS	\$ 716,529	\$ 680,244	\$ 1,396,773
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 41,978	\$ 64,598	\$ 106,576
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,857	-	2,857
FUND BALANCES			
Nonspendable, prepaid expenses	24,828	-	24,828
Restricted			
Highway and street projects	564,937	-	564,937
Street lights	2,967	-	2,967
Parks and recreation	95,988	-	95,988
Committed			
Public art	-	147,869	147,869
Community pool	-	-	-
Assigned			
Capital projects	14,330	467,777	482,107
Unassigned	(31,356)	-	(31,356)
	<u>671,694</u>	<u>615,646</u>	<u>1,287,340</u>
TOTAL FUND BALANCES	671,694	615,646	1,287,340
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 716,529	\$ 680,244	\$ 1,396,773

TOWAMENCIN TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Real estate taxes, net			
Current year	\$ 432,727	\$ -	\$ 432,727
Prior years and liened taxes	1,122	-	1,122
Intergovernmental revenues	621,848	-	621,848
Departmental earnings	-	347,040	347,040
Investment income and rents	71	125	196
Miscellaneous	-	258,875	258,875
TOTAL REVENUES	<u>1,055,768</u>	<u>606,040</u>	<u>1,661,808</u>
EXPENDITURES			
General government	4,116	-	4,116
Public safety	389,579	-	389,579
Parks and recreation	528,425	259,794	788,219
TOTAL EXPENDITURES	<u>922,120</u>	<u>259,794</u>	<u>1,181,914</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>133,648</u>	<u>346,246</u>	<u>479,894</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	-	360,514	360,514
Operating transfers out	(15,000)	(250,500)	(265,500)
Operating transfers in	215,000	-	215,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>200,000</u>	<u>110,014</u>	<u>310,014</u>
NET CHANGE IN FUND BALANCES	<u>333,648</u>	<u>456,260</u>	<u>789,908</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>338,046</u>	<u>159,386</u>	<u>497,432</u>
FUND BALANCES AT END OF YEAR	<u>\$ 671,694</u>	<u>\$ 615,646</u>	<u>\$ 1,287,340</u>

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TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

	Street Lighting Fund	Fire Protection Fund	Parks and Recreation Fund
ASSETS			
Cash and cash equivalents	\$ 2,967	\$ 16,100	\$ 102,827
Accounts receivable	-	880	585
Taxes receivable, net	-	430	2,582
Prepaid expenses	-	24,828	-
TOTAL ASSETS	<u>\$ 2,967</u>	<u>\$ 42,238</u>	<u>\$ 105,994</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 27,500	\$ 7,557
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	408	2,449
FUND BALANCES			
Nonspendable, prepaid expenses	-	24,828	-
Restricted			
Highway and street projects	-	-	-
Street lights	2,967	-	-
Parks and recreation	-	-	95,988
Committed			
Community pool	-	-	-
Assigned			
Capital projects	-	14,330	-
Unassigned	-	(24,828)	-
TOTAL FUND BALANCES	<u>2,967</u>	<u>14,330</u>	<u>95,988</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,967</u>	<u>\$ 42,238</u>	<u>\$ 105,994</u>

<u>Pool Fund</u>	<u>Highway Aid</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 565,197	\$ 687,091
-	-	1,465
-	-	3,012
<u>133</u>	<u>-</u>	<u>24,961</u>
<u>\$ 133</u>	<u>\$ 565,197</u>	<u>\$ 716,529</u>
<u>\$ 6,661</u>	<u>\$ 260</u>	<u>\$ 41,978</u>
<u>-</u>	<u>-</u>	<u>2,857</u>
-	-	24,828
-	564,937	564,937
-	-	2,967
-	-	95,988
-	-	-
-	-	14,330
<u>(6,528)</u>	<u>-</u>	<u>(31,356)</u>
<u>(6,528)</u>	<u>564,937</u>	<u>671,694</u>
<u>\$ 133</u>	<u>\$ 565,197</u>	<u>\$ 716,529</u>

TOWAMENCIN TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2021

	Street Lighting Fund	Fire Protection Fund	Parks and Recreation Fund
REVENUES			
Real estate taxes, net			
Current year	\$ 770	\$ 61,693	\$ 370,264
Prior years and liened taxes	-	160	962
Intergovernmental revenues	-	112,588	20,500
Investment income and rents	-	-	8
TOTAL REVENUES	<u>770</u>	<u>174,441</u>	<u>391,734</u>
EXPENDITURES			
General government	-	-	4,116
Public safety	-	389,579	-
Parks and recreation	-	-	307,204
TOTAL EXPENDITURES	<u>-</u>	<u>389,579</u>	<u>311,320</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>770</u>	<u>(215,138)</u>	<u>80,414</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	-	-	(15,000)
Operating transfers in	-	200,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>200,000</u>	<u>(15,000)</u>
NET CHANGE IN FUND BALANCES	770	(15,138)	65,414
FUND BALANCES AT BEGINNING OF YEAR	<u>2,197</u>	<u>29,468</u>	<u>30,574</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,967</u>	<u>\$ 14,330</u>	<u>\$ 95,988</u>

Pool Fund	Highway Aid	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 432,727
-	-	1,122
-	488,760	621,848
-	63	71
<u>-</u>	<u>488,823</u>	<u>1,055,768</u>
-	-	4,116
-	-	389,579
46,888	174,333	528,425
<u>46,888</u>	<u>174,333</u>	<u>922,120</u>
<u>(46,888)</u>	<u>314,490</u>	<u>133,648</u>
-	-	(15,000)
<u>15,000</u>	<u>-</u>	<u>215,000</u>
<u>15,000</u>	<u>-</u>	<u>200,000</u>
(31,888)	314,490	333,648
<u>25,360</u>	<u>250,447</u>	<u>338,046</u>
<u>\$ (6,528)</u>	<u>\$ 564,937</u>	<u>\$ 671,694</u>

TOWAMENCIN TOWNSHIP
BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2021

	<u>Capital Public Art</u>	<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
ASSETS				
Cash and cash equivalents	\$ <u>147,869</u>	\$ <u>529,149</u>	\$ <u>3,226</u>	\$ <u>680,244</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ <u>-</u>	\$ <u>64,598</u>	\$ <u>-</u>	\$ <u>64,598</u>
FUND BALANCE				
Committed				
Public art	147,869	-	-	147,869
Assigned				
Capital projects	-	464,551	3,226	467,777
TOTAL FUND BALANCES	<u>147,869</u>	<u>464,551</u>	<u>3,226</u>	<u>615,646</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 147,869</u>	 <u>\$ 529,149</u>	 <u>\$ 3,226</u>	 <u>\$ 680,244</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2021

	Capital Public Art	Park Capital	TT Authority	Total Capital Project Funds
REVENUES				
Departmental earnings	\$ -	\$ 347,040	\$ -	\$ 347,040
Investment income and rents	104	21	-	125
Miscellaneous	-	258,875	-	258,875
TOTAL REVENUES	<u>104</u>	<u>605,936</u>	<u>-</u>	<u>606,040</u>
EXPENDITURES				
Parks and recreation	-	259,794	-	259,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>104</u>	<u>346,142</u>	<u>-</u>	<u>346,246</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	360,514	-	360,514
Operating transfers out	-	(250,500)	-	(250,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>110,014</u>	<u>-</u>	<u>110,014</u>
NET CHANGE IN FUND BALANCE	104	456,156	-	456,260
FUND BALANCES AT BEGINNING OF YEAR	<u>147,765</u>	<u>8,395</u>	<u>3,226</u>	<u>159,386</u>
FUND BALANCES AT END OF YEAR	<u>\$ 147,869</u>	<u>\$ 464,551</u>	<u>\$ 3,226</u>	<u>\$ 615,646</u>

TOWAMENCIN TOWNSHIP
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 398,013	\$ 258,488	\$ 656,501
Investments			
Government securities	1,211,321	323,178	1,534,499
Corporate bonds	635,226	168,456	803,682
Equity mutual funds	1,746,295	467,975	2,214,270
Common stocks	14,665,216	3,946,305	18,611,521
Prepaid expenses	64,272	19,589	83,861
	<u>\$ 18,720,343</u>	<u>\$ 5,183,991</u>	<u>\$ 23,904,334</u>
TOTAL ASSETS			
NET POSITION			
Restricted for pensions	<u>\$ 18,720,343</u>	<u>\$ 5,183,991</u>	<u>\$ 23,904,334</u>

TOWAMENCIN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 873,624	\$ 244,526	\$ 1,118,150
Investment gain	2,874,552	787,798	3,662,350
Miscellaneous revenue	-	44,486	44,486
TOTAL ADDITIONS	<u>3,748,176</u>	<u>1,076,810</u>	<u>4,824,986</u>
DEDUCTIONS			
Benefit payments to retired plan participants	751,142	221,652	972,794
Administrative	11,800	6,400	18,200
TOTAL DEDUCTIONS	<u>762,942</u>	<u>228,052</u>	<u>990,994</u>
CHANGE IN NET POSITION	2,985,234	848,758	3,833,992
NET POSITION AT BEGINNING OF YEAR	<u>15,735,109</u>	<u>4,335,233</u>	<u>20,070,342</u>
NET POSITION AT END OF YEAR	<u>\$ 18,720,343</u>	<u>\$ 5,183,991</u>	<u>\$ 23,904,334</u>