

TOWAMENCIN TOWNSHIP

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2019

INTRODUCTORY SECTION

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FINANCIAL SECTION

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, 2019, 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, 2019, 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

Emphasis of Matter

For the year ended December 31, 2019, Towamencin Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note T to the financial statements, subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has resulted in economic uncertainties which have the potential to have a significant impact on Township operations. Our opinion is not modified with respect to this matter.

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
September 15, 2020

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 \$34,619,368 (net position).
- As of December 31, 2019, the Township's governmental funds reported combined ending balances of \$2,508,462.
- The Township reduced the outstanding debt with principal payments of \$1,537,530, not including a current year refunding completed by the TTIA. The average variable interest rate on three notes with the Delaware Valley Regional Financing Authority was 2.180%, including an average administrative fee of .7%.
- As of December 31, 2019, the Township's proprietary funds reported combined ending balances of \$4,364,063 for sewer related operations. Sewer rental fees did not increase in 2019.
- The Township continued to offer the Homestead and Farmstead exclusions and maintained the real estate tax rate of 3.808 mills for 2019.
- During 2019, 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, 2019

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, 2019

- ***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 2019?". 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, 2019

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 \$34,619,368 at the close of 2019. This is an increase of \$154,928 from the previous year.

Table 1
Condensed Statement of Net Position
December 31, 2019 and 2018

	2019		2018		2019 Totals	2018 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
ASSETS						
Cash and investments	\$ 3,010,982	\$ 5,104,365	\$ 2,607,831	\$ 4,576,133	\$ 8,115,347	\$ 7,183,964
Other assets	566,775	616,340	349,746	569,830	1,183,115	919,576
Capital assets	48,098,564	731,181	49,065,674	751,777	48,829,745	49,817,451
TOTAL ASSETS	51,676,321	6,451,886	52,023,251	5,897,740	58,128,207	57,920,991
DEFERRED OUTFLOWS OF RESOURCES						
	2,426,245	-	2,881,351	-	2,426,245	2,881,351
LIABILITIES						
Other liabilities	1,039,188	117,823	636,707	18,792	1,157,011	655,499
Long-term liabilities	21,042,556	1,970,000	23,361,212	2,082,000	23,012,556	25,443,212
TOTAL LIABILITIES	22,081,744	2,087,823	23,997,919	2,100,792	24,169,567	26,098,711
DEFERRED INFLOWS OF RESOURCES						
	1,765,517	-	239,191	-	1,765,517	239,191
NET POSITION						
Net investment in capital assets	33,901,493	731,181	34,283,368	751,777	34,632,674	35,035,145
Restricted	1,502,596	-	1,359,103	-	1,502,596	1,359,103
Unrestricted	(5,148,784)	3,632,882	(4,974,979)	3,045,171	(1,515,902)	(1,929,808)
TOTAL NET POSITION	\$ 30,255,305	\$ 4,364,063	\$ 30,667,492	\$ 3,796,948	\$ 34,619,368	\$ 34,464,440

The largest portion of the Township's net position, \$34,632,674 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 \$8,115,347 represent 14% of the Township's total assets.

The net position in the governmental activities decreased \$412,187.

TOWAMENCIN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

The net position of the business-type activities increased \$567,115. The increase 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, 2019 and 2018

	2019		2018		2019 Totals	2018 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
REVENUES						
Program revenues						
Charges for services	\$ 754,463	\$ 4,369,948	\$ 668,752	\$ 4,050,489	\$ 5,124,411	\$ 4,719,241
Operating grants and contributions	1,770,414	1,174,953	1,538,373	1,107,844	2,945,367	2,646,217
Capital grants and contributions	252,471	-	-	-	252,471	-
General revenues						
Taxes	7,707,574	-	7,317,784	-	7,707,574	7,317,784
Cable TV franchise tax	358,781	-	369,938	-	358,781	369,938
Investment earnings	54,152	48,852	53,905	36,982	103,004	90,887
Other	74,111	-	229,359	-	74,111	229,359
TOTAL REVENUES	10,971,966	5,593,753	10,178,111	5,195,315	16,565,719	15,373,426
EXPENSES						
General government	2,112,739	-	1,860,266	-	2,112,739	1,860,266
Public safety	5,592,693	-	5,105,160	-	5,592,693	5,105,160
Public works, highway and streets	4,045,931	-	4,266,331	-	4,045,931	4,266,331
Culture and recreation, parks	650,779	-	582,891	-	650,779	582,891
Interest	323,011	-	366,095	-	323,011	366,095
Sewer operations	-	3,685,638	-	3,632,333	3,685,638	3,632,333
TOTAL EXPENSES	12,725,153	3,685,638	12,180,743	3,632,333	16,410,791	15,813,076
TRANSFERS, net	1,341,000	(1,341,000)	1,248,200	(1,248,200)	-	-
CHANGE IN NET POSITION	\$ (412,187)	\$ 567,115	\$ (754,432)	\$ 314,782	\$ 154,928	\$ (439,650)

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, 2019

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% and 4.5% of total revenues, respectively. The earned income tax and the local services tax provide 35.5% 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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Real estate tax	\$ 3,319,340	\$ 3,345,821	\$ 3,298,644	\$ 3,264,691	\$ 3,300,150	\$ 2,888,496
Transfer tax	497,868	343,946	541,120	447,171	689,806	374,692
Earned income tax	3,538,471	3,290,800	3,236,595	3,261,538	3,115,146	2,964,347
Local service tax	351,895	337,217	334,228	326,953	311,138	297,782

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 2019, the Township received tapping fees for 7 residential and 16 commercial EDUs. The total amount received was \$21,068.

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, 2019, the Township's governmental funds reported combined ending balances of \$2,508,462, an increase of \$202,366 as compared to the prior year.

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

The **General Fund** is the chief operating fund of Towamencin Township. As of December 31, 2019, the total fund balance of the General Fund was \$18,126, all of which is unassigned except for \$1,785 representing prepaid expenses. An inter-fund loan with the Sewer Capital Fund will occur in 2020 to replenish General Fund monies that have been previously spent on large capital expenditures like the municipal complex HVAC system (approx. \$1,124,567 for HVAC at 12/31/19). This will bring the General Fund balance back to where it needs to be to cover future operating expenditures. The inter-fund loan with the Sewer Capital Fund was originally planned to take place in 2018 when most of the expense for the HVAC system was incurred creating a large decrease in the General Fund balance but did not occur due to personnel changes. The General Fund balance itself decreased only \$141,953 in fiscal year 2019. A decrease of \$368,972 was budgeted due to anticipated increases in salaries and benefits, repairs and maintenance of facilities, storm sewers and drains, and highway maintenance while revenues remained flat. The decrease of \$141,953 was better than anticipated by \$227,019. Key factors attributing to this favorable result are as follows:

- Storm Sewer and Drain expense fell short of budget by \$98,000 due to less than anticipated work on storm sewer drains and lines.
- The budgeted inter-fund transfer to the Towamencin Township Infrastructure Authority (TTIA) of \$161,000 did not take place as TTIA did not need the monies to cover expenses. Expenses were covered by debt expense transfers and reimbursements per agreement from the state of Pennsylvania.
- Police Vehicle Maintenance expense ended under budget by \$18,000.
- Overall, General Fund revenues did not meet expectations by \$54,800. Criminal Processing Fee revenue was less than anticipated and comprises most of the shortfall.

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 2019, the Township received \$285,684 in Traffic Impact fees to account for an additional 130 trips for Amazon.

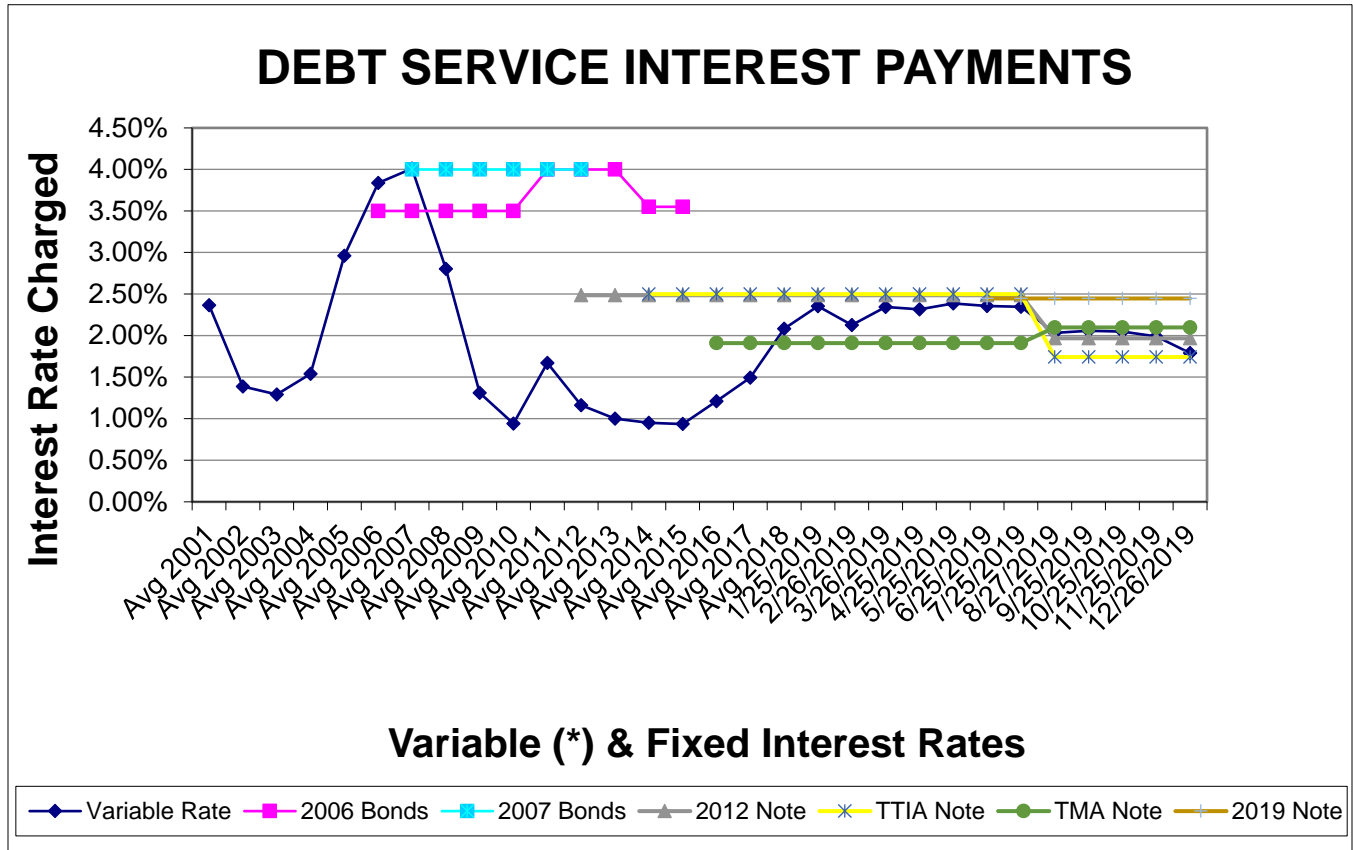
The **Debt Service Fund** provides payment for all principal and interest on Township general obligation bonds and notes, and capital lease payments. In addition, a transfer is made to the Towamencin Township Infrastructure Authority equal to its annual debt service. A real estate tax (.807 mills) is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

The average variable rate of interest including the average monthly administration fee of .7% charged by the Delaware Valley Regional Finance Authority (DVRFA) during 2019 was 2.180%. This rate applies to Notes issued in 2000 (\$7,365,000), 2002 (\$6,000,000), and 2013 (\$2,500,000).

TOWAMENCIN TOWNSHIP

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019



As of December 31, 2019, the fund balance of the Debt Service Fund was \$270,636. 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 2019 included \$22 in interest earnings, \$122,365 in reimbursements from PennDOT and net transfers from the Township in the amount of \$604,294.

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 2019 was \$606,129.

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 2019, the transfer from the general fund totaled \$110,000 and the sale of assets generated \$16,070. Some expenditures in this fund included 2 Police vehicles, mobile data terminals, municipal complex HVAC system work, a mower and other minor equipment.

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. Significant monies were spent in this fund in 2019 to build new bathroom facilities at Green Lane and Gristmill parks and to plaster and paint Towamencin Township pools.

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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, 2019 totals \$48,098,564 and \$731,181, 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	1,113,160	-
Vehicles	2,264,671	-
Land improvements	7,255,633	-
Buildings and improvements	8,484,093	-
Machinery and equipment	3,596,886	36,372
Infrastructure	59,955,727	-
Accumulated depreciation	<u>(39,530,875)</u>	<u>(129,055)</u>
TOTAL	<u>\$ 48,098,564</u>	<u>\$ 731,181</u>

This year's major additions included:

GOVERNMENTAL ACTIVITIES

Pool Rehabilitation	\$128,424
Mobile Data Terminals	30,921
Various vehicles	115,879
Municipal Complex HVAC System	1,097,776

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

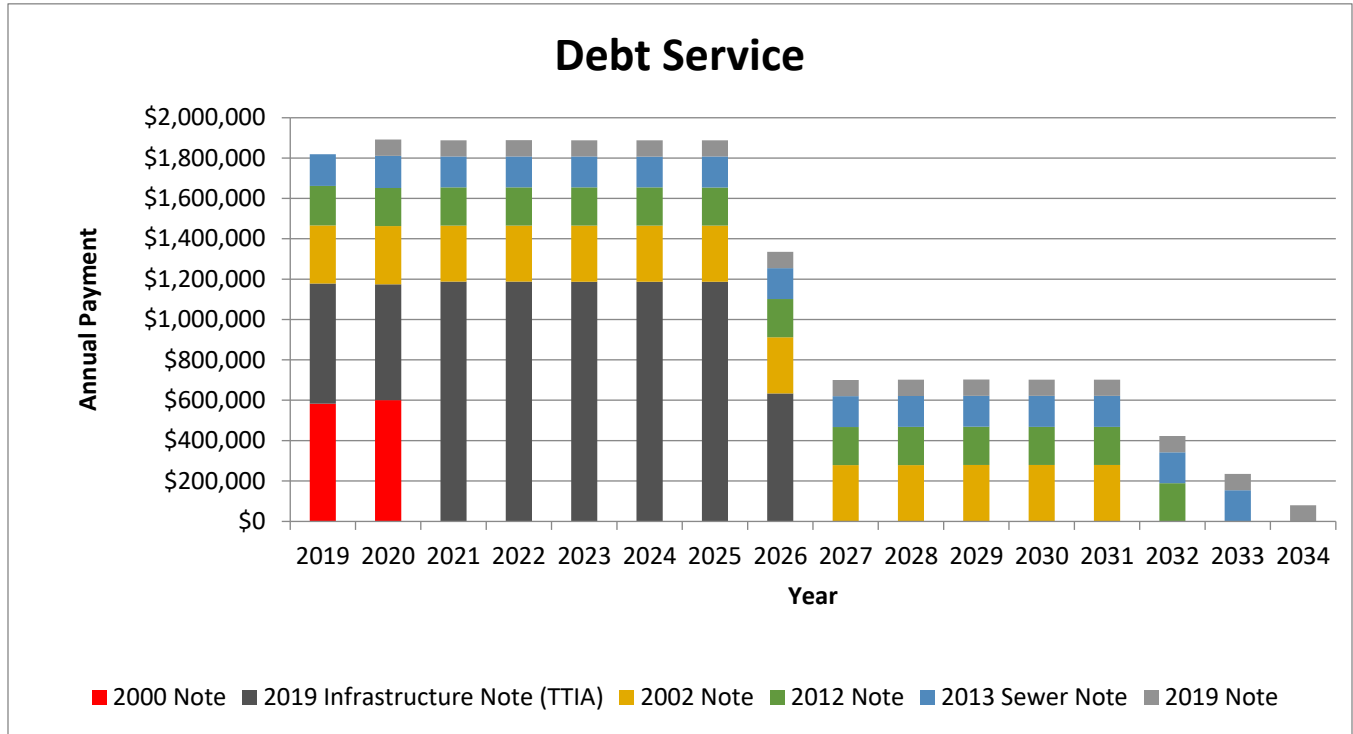
Long-Term Debt - At year-end the Township had \$13,661,500 in outstanding bonds and notes compared to \$14,052,030 last year for governmental activities. The Infrastructure Authority's debt of \$6,740,000 is included in these amounts. The principal that is due within one year for governmental activities is \$1,550,500.

TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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 18,400 and 7,600 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, 2019

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 2020 real estate tax rate will remain the same as in 2019. The homestead and farmstead exemptions will remain at \$45,000. Therefore, a "typical" household with a \$150,000 real estate tax assessment will pay \$400 in real estate taxes. Approximately 4,600 homeowners in the Township participate in the homestead exemption program.

The sewer rental fee will remain unchanged at \$375 for 2020. 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 the past decade, the Township had been successful in receiving grant funds from DEP to offset the cost of inspections. In recent years, 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 2020.

On the expense side, the Township plans to continue efforts to alleviate the Inflow and Infiltration (I&I) of storm water into the sanitary sewer treatment system. The 2020 budget provides \$200,000 for that purpose. Additional capital expenses include security upgrades to the municipal complex and Public Works buildings, repairs to the pool facility including tile replacement and painting of the buildings, ash tree removal, a park master plan review, traffic signal projects, vehicle replacements, and the Forty Foot Road pinch point widening.

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 Robert A. Ford, 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



Robert A. Ford
Township Manager



Brooke Neve
Finance Director

TOWAMENCIN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government			Component Unit
	Governmental	Business-Type	Totals	Towamencin
	Activities	Activities		Municipal Authority
ASSETS				
Cash and cash equivalents	\$ 3,010,982	\$ 4,859,365	\$ 7,870,347	\$ 2,122,751
Investments	-	245,000	245,000	-
Accounts receivable	434,950	473,608	908,558	23,590
Taxes receivable	158,281	-	158,281	-
Internal balances	(56,226)	56,226	-	-
Due from component unit	-	86,506	86,506	-
Prepaid expenses	29,770	-	29,770	-
Capital assets				
Land	4,959,269	-	4,959,269	-
Construction in progress	1,113,160	-	1,113,160	-
Land improvements	7,255,633	-	7,255,633	-
Buildings and improvements	8,484,093	-	8,484,093	-
Machinery and equipment	3,596,886	36,372	3,633,258	-
Vehicles	2,264,671	-	2,264,671	-
Infrastructure	59,955,727	-	59,955,727	-
Sewer system and plant	-	823,864	823,864	58,641,038
Accumulated depreciation	(39,530,875)	(129,055)	(39,659,930)	(34,630,765)
TOTAL ASSETS	51,676,321	6,451,886	58,128,207	26,156,614
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources, pension activity	2,115,547	-	2,115,547	-
Deferred outflows of resources, OPEB activity	310,698	-	310,698	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,426,245	-	2,426,245	-
LIABILITIES				
Accounts payable and accrued expenses	833,193	117,823	951,016	205,505
Payroll and withholding taxes payable	205,995	-	205,995	-
Due to primary government	-	-	-	86,506
Escrow deposits	-	-	-	4,517
Accrued interest	1,632	-	1,632	-
Long-term liabilities				
Portion due or payable within one year				
Bonds and note payable	1,550,500	115,000	1,665,500	427,000
Capital lease payable	245,336	-	245,336	-
Portion due or payable after one year				
Bonds and note payable	12,111,000	1,855,000	13,966,000	7,599,000
Capital lease payable	290,235	-	290,235	-
Compensated absences	41,809	-	41,809	-
Total OPEB liability	4,311,750	-	4,311,750	-
Net pension liability	2,490,294	-	2,490,294	-
TOTAL LIABILITIES	22,081,744	2,087,823	24,169,567	8,322,528
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	1,614,650	-	1,614,650	-
Deferred inflows of resources, OPEB activity	150,867	-	150,867	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,765,517	-	1,765,517	-
NET POSITION				
Net investment in capital assets	33,901,493	731,181	34,632,674	15,984,273
Restricted	1,502,596	-	1,502,596	1,610,953
Unrestricted	(5,148,784)	3,632,882	(1,515,902)	238,860
TOTAL NET POSITION	\$ 30,255,305	\$ 4,364,063	\$ 34,619,368	\$ 17,834,086

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,112,739	\$ 50,470	\$ 399,448	\$ -
Public safety	5,592,693	404,063	258,652	-
Parks and recreation	650,779	14,246	445,345	-
Highways	4,045,931	285,684	666,969	252,471
Interest on long-term debt	323,011	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	12,725,153	754,463	1,770,414	252,471
BUSINESS-TYPE ACTIVITIES				
Sewer Fund	3,502,096	4,369,948	1,138,708	-
Sewer Capital Fund	183,542	-	36,245	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,685,638	4,369,948	1,174,953	-
TOTAL PRIMARY GOVERNMENT	\$ 16,410,791	\$ 5,124,411	\$ 2,945,367	\$ 252,471
COMPONENT UNIT				
Towamencin Municipal Authority	\$ 4,450,561	\$ 3,516,302	\$ -	\$ 30,780
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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Towamencin Municipal Authority
\$ (1,662,821)	\$ -	\$ (1,662,821)	\$ -
(4,929,978)	-	(4,929,978)	-
(191,188)	-	(191,188)	-
(2,840,807)	-	(2,840,807)	-
(323,011)	-	(323,011)	-
(9,947,805)	-	(9,947,805)	-
-	2,006,560	2,006,560	-
-	(147,297)	(147,297)	-
-	1,859,263	1,859,263	-
(9,947,805)	1,859,263	(8,088,542)	-
-	-	-	(903,479)
3,319,340	-	3,319,340	-
351,895	-	351,895	-
497,868	-	497,868	-
3,538,471	-	3,538,471	-
358,781	-	358,781	-
54,152	48,852	103,004	27,892
74,111	-	74,111	-
1,341,000	(1,341,000)	-	-
9,535,618	(1,292,148)	8,243,470	27,892
(412,187)	567,115	154,928	(875,587)
30,667,492	3,796,948	34,464,440	18,709,673
\$ 30,255,305	\$ 4,364,063	\$ 34,619,368	\$ 17,834,086

TOWAMENCIN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Traffic Impact Fund	Debt Service Fund
ASSETS			
Cash and cash equivalents	\$ 767,804	\$ 118,326	\$ 276,891
Accounts receivable	133,342	10,700	-
Taxes receivable, net	148,027	-	6,380
Due from other funds	-	3,913,601	-
Prepaid expenses	1,785	-	-
TOTAL ASSETS	\$ 1,050,958	\$ 4,042,627	\$ 283,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 956,753	\$ -	\$ 6,255
Due to other funds	56,226	-	-
TOTAL LIABILITIES	1,012,979	-	6,255
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	19,853	-	6,380
FUND BALANCES			
Nonspendable, prepaid expenses	1,785	-	-
Restricted			
Highway and street projects	-	-	-
Street lights	-	-	-
Parks and recreation	-	-	-
Capital projects	-	-	-
Debt service	-	-	270,636
Committed			
Public art	-	-	-
Community pool	-	-	-
Traffic improvements	-	4,042,627	-
Assigned			
Capital projects	-	-	-
Unassigned	16,341	-	-
TOTAL FUND BALANCES	18,126	4,042,627	270,636
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,050,958	\$ 4,042,627	\$ 283,271

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>
\$ 49,880	\$ 1,174,420	\$ 623,825	\$ 3,011,146
27,188	-	263,720	434,950
-	-	3,874	158,281
-	-	-	3,913,601
-	-	27,985	29,770
<u>77,068</u>	<u>1,174,420</u>	<u>919,404</u>	<u>7,547,748</u>

\$ 500	\$ 2,353	\$ 73,491	\$ 1,039,352
3,913,601	-	-	3,969,827
<u>3,914,101</u>	<u>2,353</u>	<u>73,491</u>	<u>5,009,179</u>

-	-	3,874	30,107
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-	-	27,985	29,770
---	---	--------	--------

-	-	26,104	26,104
---	---	--------	--------

-	-	1,476	1,476
---	---	-------	-------

-	-	32,313	32,313
---	---	--------	--------

-	1,172,067	-	1,172,067
---	-----------	---	-----------

-	-	-	270,636
---	---	---	---------

-	-	147,715	147,715
---	---	---------	---------

-	-	5,879	5,879
---	---	-------	-------

-	-	-	4,042,627
---	---	---	-----------

-	-	628,552	628,552
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(3,837,033)	-	(27,985)	(3,848,677)
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<u>(3,837,033)</u>	<u>1,172,067</u>	<u>842,039</u>	<u>2,508,462</u>
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<u>\$ 77,068</u>	<u>\$ 1,174,420</u>	<u>\$ 919,404</u>	<u>\$ 7,547,748</u>
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TOWAMENCIN TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 2,508,462

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:

Land	4,959,269
Construction in progress	1,113,160
Land improvements, net of accumulated depreciation of \$2,452,697	4,802,936
Buildings and improvements, net of accumulated depreciation of \$3,112,862	5,371,231
Machinery and equipment, net of accumulated depreciation of \$2,583,462	1,013,424
Vehicles, net of accumulated depreciation of \$1,459,876	804,795
Infrastructure, net of accumulated depreciation of \$29,921,978	<u>30,033,749</u>
	<u>48,098,564</u>

Deferred inflows and outflows of resources related to pension activities are not financial resources and, therefore, are not reported in the Governmental Funds.

500,897

Deferred inflows and outflows of resources related to OPEB activities are not financial resources and, therefore, are not reported in the Governmental Funds.

159,831

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.

30,107

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, 2019, are:

Accrued interest on bonds	(1,632)
Bonds and note payable	(13,661,500)
Capital leases	(535,571)
Compensated absences	(41,809)
Total OPEB liability	(4,311,750)
Net pension liability	<u>(2,490,294)</u>
	<u>(21,042,556)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 30,255,305

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, 2019

	General Fund	Traffic Impact Fund	Debt Service Fund
REVENUES			
Real estate taxes, net	\$ 2,198,457	\$ -	\$ 711,274
Earned income taxes	3,537,745	-	-
Local services tax	351,895	-	-
Real estate transfer tax	497,868	-	-
Intergovernmental revenues	487,734	-	-
Licenses and permits	677,007	-	-
Fines and forfeits	66,407	-	-
Charges for services	32,258	-	-
Departmental earnings	-	285,684	-
Investment income and rents	56,153	194	-
Miscellaneous	93,861	-	-
TOTAL REVENUES	<u>7,999,385</u>	<u>285,878</u>	<u>711,274</u>
EXPENDITURES			
General government	2,034,473	-	-
Public safety	4,912,552	-	-
Parks and recreation	8,100	-	-
Highways	1,270,613	-	-
Debt service			
Principal retirement	32,900	-	1,166,139
Interest paid	-	-	176,778
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>8,258,638</u>	<u>-</u>	<u>1,342,917</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(259,253)</u>	<u>285,878</u>	<u>(631,643)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	-	-	-
Proceeds from issuance of debt	-	-	-
Debt refunding payments	-	-	-
Operating transfers out	(1,167,209)	(205,470)	(604,294)
Operating transfers in	1,284,509	-	1,332,470
Proceeds from sale of fixed assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>117,300</u>	<u>(205,470)</u>	<u>728,176</u>
NET CHANGE IN FUND BALANCES	(141,953)	80,408	96,533
FUND BALANCES AT BEGINNING OF YEAR	<u>160,079</u>	<u>3,962,219</u>	<u>174,103</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,126</u>	<u>\$ 4,042,627</u>	<u>\$ 270,636</u>

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>
\$ -	\$ -	\$ 432,600	\$ 3,342,331
-	-	-	3,537,745
-	-	-	351,895
-	-	-	497,868
122,365	-	1,142,012	1,752,111
-	-	-	677,007
-	-	-	66,407
-	-	-	32,258
-	-	14,241	299,925
22	16,908	7,585	80,862
-	225,356	5	319,222
<u>122,387</u>	<u>242,264</u>	<u>1,596,443</u>	<u>10,957,631</u>
137,949	-	201	2,172,623
-	-	322,515	5,235,067
-	123,438	1,861,306	1,992,844
-	-	-	1,270,613
464,834	-	36,600	1,700,473
176,295	-	-	353,073
-	-	465,172	465,172
<u>779,078</u>	<u>123,438</u>	<u>2,685,794</u>	<u>13,189,865</u>
<u>(656,691)</u>	<u>118,826</u>	<u>(1,089,351)</u>	<u>(2,232,234)</u>
-	-	42,530	42,530
6,740,000	-	1,000,000	7,740,000
(6,705,000)	-	-	(6,705,000)
-	(42,000)	(477,460)	(2,496,433)
604,294	-	616,160	3,837,433
-	-	16,070	16,070
<u>639,294</u>	<u>(42,000)</u>	<u>1,197,300</u>	<u>2,434,600</u>
(17,397)	76,826	107,949	202,366
<u>(3,819,636)</u>	<u>1,095,241</u>	<u>734,090</u>	<u>2,306,096</u>
<u>\$ (3,837,033)</u>	<u>\$ 1,172,067</u>	<u>\$ 842,039</u>	<u>\$ 2,508,462</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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	202,366
<p>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 (\$2,641,440) exceeds capital outlays (\$1,694,606) in the current period.</p>		(946,834)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales and disposals) is to decrease net assets.</p>		(20,276)
<p>Revenues in the statement of activities that do not provide current resources are not recorded as revenues in the funds.</p>		(22,265)
<p>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.</p>		
Principal repayments		8,367,765
Proceeds from issuance of debt		(7,740,000)
Proceeds from capital lease		(42,530)
<p>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.</p>		
Compensated absences		(9,367)
OPEB expense		(149,974)
Pension expense		(87,038)
Accrued interest on bonds		35,966
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(412,187)</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
ASSETS			
Cash and cash equivalents	\$ 1,540,895	\$ 3,318,470	\$ 4,859,365
Investments	245,000	-	245,000
Accounts receivable	539,951	20,163	560,114
Due from other funds	-	56,226	56,226
Capital assets	36,372	823,864	860,236
Accumulated depreciation	<u>(36,372)</u>	<u>(92,683)</u>	<u>(129,055)</u>
TOTAL ASSETS	<u>\$ 2,325,846</u>	<u>\$ 4,126,040</u>	<u>\$ 6,451,886</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 29,997	\$ 87,826	\$ 117,823
Current portion of note payable	<u>115,000</u>	<u>-</u>	<u>115,000</u>
TOTAL CURRENT LIABILITIES	144,997	87,826	232,823
NONCURRENT LIABILITIES			
Long-term note payable	<u>1,855,000</u>	<u>-</u>	<u>1,855,000</u>
TOTAL LIABILITIES	<u>1,999,997</u>	<u>87,826</u>	<u>2,087,823</u>
NET POSITION			
Net investment in capital assets	-	731,181	731,181
Unrestricted	<u>325,849</u>	<u>3,307,033</u>	<u>3,632,882</u>
TOTAL NET POSITION	<u>325,849</u>	<u>4,038,214</u>	<u>4,364,063</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,325,846</u>	<u>\$ 4,126,040</u>	<u>\$ 6,451,886</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, 2019

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
OPERATING REVENUES			
Sewer rents	\$ 5,503,864	\$ -	\$ 5,503,864
Connection fees	-	21,068	21,068
Operating grants and contributions	-	15,177	15,177
Other	4,792	-	4,792
TOTAL OPERATING REVENUES	<u>5,508,656</u>	<u>36,245</u>	<u>5,544,901</u>
OPERATING EXPENSES			
Sewage disposal	3,438,146	156,077	3,594,223
Administration	18,253	6,869	25,122
Repairs and maintenance	-	-	-
TOTAL OPERATING EXPENSES	<u>3,456,399</u>	<u>162,946</u>	<u>3,619,345</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	2,052,257	(126,701)	1,925,556
DEPRECIATION	<u>-</u>	<u>20,596</u>	<u>20,596</u>
OPERATING INCOME (LOSS)	<u>2,052,257</u>	<u>(147,297)</u>	<u>1,904,960</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	47,331	1,521	48,852
Interest expense	<u>(45,697)</u>	<u>-</u>	<u>(45,697)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,634</u>	<u>1,521</u>	<u>3,155</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(2,100,000)	(176,000)	(2,276,000)
Operating transfers in	<u>-</u>	<u>935,000</u>	<u>935,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,100,000)</u>	<u>759,000</u>	<u>(1,341,000)</u>
CHANGE IN NET POSITION	(46,109)	613,224	567,115
NET POSITION AT BEGINNING OF YEAR	<u>371,958</u>	<u>3,424,990</u>	<u>3,796,948</u>
NET POSITION AT END OF YEAR	<u>\$ 325,849</u>	<u>\$ 4,038,214</u>	<u>\$ 4,364,063</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Sewer Fund	Sewer Capital Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,482,309	\$ 16,082	\$ 5,498,391
Payments to suppliers and others	<u>(3,444,197)</u>	<u>(76,117)</u>	<u>(3,520,314)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,038,112</u>	<u>(60,035)</u>	<u>1,978,077</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to)/from other funds	<u>(2,100,000)</u>	<u>759,000</u>	<u>(1,341,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on note payable	(112,000)	-	(112,000)
Interest paid on note payable	<u>(45,697)</u>	<u>-</u>	<u>(45,697)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(157,697)</u>	<u>-</u>	<u>(157,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>47,331</u>	<u>1,521</u>	<u>48,852</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(172,254)	700,486	528,232
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,713,149</u>	<u>2,617,984</u>	<u>4,331,133</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,540,895</u>	<u>\$ 3,318,470</u>	<u>\$ 4,859,365</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,052,257	\$ (147,297)	\$ 1,904,960
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	(26,347)	(20,163)	(46,510)
Accounts payable and accrued expenses	<u>12,202</u>	<u>86,829</u>	<u>99,031</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,038,112</u>	<u>\$ (60,035)</u>	<u>\$ 1,978,077</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,307,200	\$ 816,620	\$ 3,123,820
Investments			
Exchange traded funds	8,794	-	8,794
Corporate bonds	499,173	-	499,173
Equity mutual funds	1,454,255	-	1,454,255
Common stocks	13,288,298	-	13,288,298
Other receivables	-	3,702	3,702
Prepaid expenses	77,695	-	77,695
	<u>\$ 17,635,415</u>	<u>\$ 820,322</u>	<u>\$ 18,455,737</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 16,368	\$ 16,368
NET POSITION			
Restricted for pensions	17,635,415	-	17,635,415
Held for developers	-	803,954	803,954
	<u>\$ 17,635,415</u>	<u>\$ 820,322</u>	<u>\$ 18,455,737</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,635,415</u>	<u>\$ 820,322</u>	<u>\$ 18,455,737</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions	\$ 1,069,097	\$ -
Investment gain	3,022,851	-
Miscellaneous revenue	235,425	-
Payments from developers	-	520,982
TOTAL ADDITIONS	<u>4,327,373</u>	<u>520,982</u>
DEDUCTIONS		
Benefit payments to retired plan participants	899,991	-
Administrative	16,274	-
Payments to developers	-	265,512
TOTAL DEDUCTIONS	<u>916,265</u>	<u>265,512</u>
CHANGE IN NET POSITION	3,411,108	255,470
NET POSITION AT BEGINNING OF YEAR, restated	<u>14,224,307</u>	<u>548,484</u>
NET POSITION AT END OF YEAR	<u>\$ 17,635,415</u>	<u>\$ 803,954</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019

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, 2019, 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 2019, tax was levied on the assessed value of real estate at a total of 3.808 mills.

Other taxes levied in 2019 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, 2019

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, 2019

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, 2019

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 two 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.

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, 2019

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, 2019

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the General Government and Highways categories in the general fund by \$371,891 and \$60,878, respectively. These were funded by larger than expected revenues and accumulated fund balance.

Deficit Fund Balance

As of December 31, 2019, an accumulated deficit fund balance of \$3,837,033 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, 2019, the carrying amount of the Township's deposits was \$10,994,167 and the bank balance was \$11,727,822. Of the bank balance, \$981,733 was covered by federal depository insurance, \$5,877,062 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 \$4,869,027 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, 2019, the Township had the following investments and maturities:

Investment Type	Amortized Cost	Investment Maturities			
		Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years
PROPRIETARY FUNDS					
Certificates of deposit	\$ 245,000	\$ -	\$ 245,000	\$ -	\$ -
FIDUCIARY FUNDS					
Exchange traded funds	\$ -	\$ 8,794	\$ -	\$ -	\$ -
Corporate bonds	-	499,173	7,349	229,395	262,429
Equity mutual funds	-	1,454,255	-	-	-
Common stocks	-	13,288,298	-	-	-
TOTAL FIDUCIARY FUNDS	\$ -	\$ 15,250,520	\$ 7,349	\$ 229,395	\$ 262,429

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 was \$4,869,027. 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, 2019, 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, 2019

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, 2019, \$2,004,606 of the Authority's bank balance of \$2,273,920 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	\$ 655,561	\$ 511,798
RESTRICTED		
Capital improvements	<u>1,618,359</u>	<u>1,610,953</u>
	<u>\$ 2,273,920</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 TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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	\$ 133,342	\$ 10,700	\$ -	\$ 27,188
Taxes receivable	148,027	-	6,380	-
Sewer rent	-	-	-	-
Other receivable	-	-	-	-
	<u>\$ 281,369</u>	<u>\$ 10,700</u>	<u>\$ 6,380</u>	<u>\$ 27,188</u>

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,959,269	\$ -	\$ -	\$ 4,959,269
Construction in process	825,463	1,385,474	(1,097,777)	1,113,160
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>5,784,732</u>	<u>1,385,474</u>	<u>(1,097,777)</u>	<u>6,072,429</u>
Capital assets being depreciated				
Land improvements	7,127,209	128,424	-	7,255,633
Infrastructure	59,955,727	-	-	59,955,727
Buildings and improvements	7,364,017	1,120,076	-	8,484,093
Machinery and equipment	3,633,643	42,530	(79,287)	3,596,886
Vehicles	2,159,184	115,879	(10,392)	2,264,671
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>80,239,780</u>	<u>1,406,909</u>	<u>(89,679)</u>	<u>81,557,010</u>
Accumulated depreciation				
Land improvements	(2,254,322)	(198,375)	-	(2,452,697)
Infrastructure	(28,131,048)	(1,790,930)	-	(29,921,978)
Buildings and improvements	(2,920,713)	(192,149)	-	(3,112,862)
Machinery and equipment	(2,405,022)	(237,451)	59,011	(2,583,462)
Vehicles	(1,247,733)	(222,535)	10,392	(1,459,876)
TOTAL ACCUMULATED DEPRECIATION	<u>(36,958,838)</u>	<u>(2,641,440)</u>	<u>69,403</u>	<u>(39,530,875)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>43,280,942</u>	<u>(1,234,531)</u>	<u>(20,276)</u>	<u>42,026,135</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 49,065,674</u>	<u>\$ 150,943</u>	<u>\$ (1,118,053)</u>	<u>\$ 48,098,564</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>
\$ -	\$ 263,720	\$ -	\$ -	\$ -	\$ 434,950
-	3,874	-	-	-	158,281
-	-	539,951	20,163	-	560,114
-	-	-	-	3,702	3,702
<u>\$ -</u>	<u>\$ 267,594</u>	<u>\$ 539,951</u>	<u>\$ 20,163</u>	<u>\$ 3,702</u>	<u>\$ 1,157,047</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
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	<u>860,236</u>	<u>-</u>	<u>-</u>	<u>860,236</u>
Accumulated depreciation				
Leasehold improvements	(72,087)	(20,596)	-	(92,683)
Machinery and equipment	(36,372)	-	-	(36,372)
TOTAL ACCUMULATED DEPRECIATION	<u>(108,459)</u>	<u>(20,596)</u>	<u>-</u>	<u>(129,055)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>751,777</u>	<u>(20,596)</u>	<u>-</u>	<u>731,181</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 751,777</u>	<u>\$ (20,596)</u>	<u>\$ -</u>	<u>\$ 731,181</u>

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

GOVERNMENTAL ACTIVITIES		
General government		\$ 276,043
Public safety		120,314
Parks and recreation		203,656
Highways		<u>2,041,427</u>
		<u>\$ 2,641,440</u>

Component Unit - Towamencin Municipal Authority

Property, plant and equipment consist of the following:

	Balance December 31, 2018	Additions/ Deletions	Balance December 31, 2019
Sewer plant and additions	\$ 53,936,349	\$ 339,441	\$ 54,275,790
Sewer system			
Pump station and interceptor	2,851,484	-	2,851,484
Other maintenance equipment	1,227,217	59,365	1,286,582
Construction in progress	24,478	132,547	157,025
Office equipment	70,157	-	70,157
	<u>58,109,685</u>	<u>531,353</u>	<u>58,641,038</u>
Accumulated depreciation	<u>(33,319,398)</u>	<u>(1,311,367)</u>	<u>(34,630,765)</u>
	<u>\$ 24,790,287</u>	<u>\$ (780,014)</u>	<u>\$ 24,010,273</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds	Transfers	
			In	Out
GENERAL FUND	\$ -	\$ 56,226	\$ 1,284,509	\$ 1,167,209
TRAFFIC IMPACT FUND	3,913,601	-	-	205,470
DEBT SERVICE FUND	-	-	1,332,470	604,294
FISCHER'S PARK FUND	-	-	-	42,000
SPECIAL REVENUE FUNDS				
Fire Protection Fund	-	-	166,500	-
Parks and Recreation Fund	-	-	82,200	257,460
Pool Fund	-	-	21,000	-
TOTAL SPECIAL REVENUE FUNDS	-	-	269,700	257,460
CAPITAL PROJECT FUNDS				
General Capital Fund	-	-	110,000	-
Park Capital Fund	-	-	236,460	220,000
TOTAL CAPITAL PROJECT FUNDS	-	-	346,460	220,000
INFRASTRUCTURE AUTHORITY	-	3,913,601	604,294	-
ENTERPRISE FUNDS				
Sewer Fund	-	-	-	2,100,000
Sewer Capital Fund	56,226	-	935,000	176,000
TOTAL ENTERPRISE FUNDS	56,226	-	935,000	2,276,000
	<u>\$ 3,969,827</u>	<u>\$ 3,969,827</u>	<u>\$ 4,772,433</u>	<u>\$ 4,772,433</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, 2019

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%	\$ 13,661,500
Business-type activities	1.0% - 4.0%	<u>1,970,000</u>
		<u>\$ 15,631,500</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	2000	2020	\$ 595,000	Variable	2.1900%	\$ 86,587
GO Note	2002	2031	3,105,000	Variable	2.1900%	451,853
GO Note	2012	2032	2,152,000	Fixed	1.9680%	313,168
GO Note	2019	2034	1,000,000	Fixed	2.4480%	145,524
Guaranteed Sewer Notes	2013	2033	1,970,000	Variable	2.1900%	286,683

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, 2019

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, 2019, 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, 2019, 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 net OPEB liabilities are generally liquidated by the general fund.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2020	\$ 1,550,500	\$ 229,031	\$ 1,779,531
2021	1,523,000	202,590	1,725,590
2022	1,552,000	175,631	1,727,631
2023	1,585,000	148,157	1,733,157
2024	1,615,000	120,108	1,735,108
2025-2029	4,318,000	302,649	4,620,649
2030-2034	1,518,000	63,072	1,581,072
	<u>\$ 13,661,500</u>	<u>\$ 1,241,238</u>	<u>\$ 14,902,738</u>

Year Ending December 31,	Business-Type Activities		
	Principal	Interest	Totals
2020	\$ 115,000	\$ 28,831	\$ 143,831
2021	119,000	27,081	146,081
2022	122,000	25,278	147,278
2023	126,000	23,423	149,423
2024	130,000	21,508	151,508
2025-2029	711,000	76,708	787,708
2030-2033	647,000	20,526	667,526
	<u>\$ 1,970,000</u>	<u>\$ 223,355</u>	<u>\$ 2,193,355</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE G - LONG-TERM DEBT (Continued)

Year	Component Unit - Towamencin Municipal Authority		
	Principal	Interest	Totals
2020	\$ 427,000	\$ 163,160	\$ 590,160
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
2025-2029	2,472,000	476,497	2,948,497
2030-2034	2,743,000	202,749	2,945,749
2035	584,000	5,105	589,105
	<u>\$ 8,026,000</u>	<u>\$ 1,407,530</u>	<u>\$ 9,433,530</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, 2019:

Vehicles and equipment	\$ 1,545,991
Less accumulated depreciation	<u>(647,419)</u>
	<u>\$ 898,572</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, 2019:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2020	\$ 245,336	\$ 17,687	\$ 263,023
2021	144,320	9,155	153,475
2022	141,921	4,598	146,519
2023	<u>3,994</u>	<u>59</u>	<u>4,053</u>
Total value of minimum lease payments	<u>\$ 535,571</u>	<u>\$ 31,499</u>	567,070
Less amount representing interest			<u>(31,499)</u>
Present value of minimum lease payments			<u>\$ 535,571</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE G - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Notes,					
Series of 2000	\$ 1,159,000	\$ -	\$ (564,000)	\$ 595,000	\$ 595,000
Series of 2002	3,320,000	-	(215,000)	3,105,000	220,000
Series of 2012	2,296,000	-	(144,000)	2,152,000	148,000
Series of 2014 (TTIA)	7,133,000	-	(7,133,000)	-	-
Promissory Note, Series of 2015	144,030	-	(74,530)	69,500	69,500
Series of 2019	-	1,000,000	-	1,000,000	56,000
Series of 2019 (TTIA)	-	6,740,000	-	6,740,000	462,000
TOTAL GENERAL OBLIGATION NOTES	14,052,030	7,740,000	(8,130,530)	13,661,500	1,550,500
Capital leases	730,276	42,530	(237,235)	535,571	245,336
Compensated absences	32,442	9,367	-	41,809	-
Net pension liability	4,200,032	-	(1,709,738)	2,490,294	-
Net OPEB liability	4,346,432	-	(34,682)	4,311,750	-
TOTAL LONG-TERM LIABILITIES	\$ 23,361,212	\$ 7,791,897	\$ (10,112,185)	\$ 21,040,924	\$ 1,795,836
BUSINESS-TYPE ACTIVITIES					
Note payable	\$ 2,082,000	\$ -	\$ (112,000)	\$ 1,970,000	\$ 115,000
COMPONENT UNIT - TOWAMENCIN MUNICIPAL AUTHORITY					
Note payable	\$ 8,431,000	\$ 8,026,000	\$ (8,431,000)	\$ 8,026,000	\$ 427,000

During the year ended December 31, 2019, the Township issued new debt, Series of 2019, in the amount of \$1 million to fund specific projects within the Township. Principal and interest at 2.448% are due through May 2034. In addition, the Township converted its Series of 2012 variable interest rate debt to a fixed rate of 1.968% for the remainder of the loan.

During the year ended December 31, 2019, the TTIA issued new debt, Series of 2019, in the amount of \$6,740,000 with a fixed interest rate of 1.743% through DVRFA to pay off the existing Series of 2014 notes held by a local bank.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 was \$123,824. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2019 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Towamencin Township's share was \$23,570.

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, 2019 was \$119,509. The Trust declared a dividend in 2019. Towamencin Township's share of the dividend distribution was \$25,301. At December 31, 2019, there were no additional assessments due or anticipated. Instead, an audit of the reported 2019 payroll will be performed during the first quarter of 2020.

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, 2019 was \$1,065,712 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, 2019

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 2021. 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, 2019

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, 2019, 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	-
Active plan members	<u>23</u>
	<u>41</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, 2019

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 2019, the MMO obligation for the Police Pension Plan was \$701,195. Contributions of \$475,893 and \$225,302 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, 2019:

<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, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 23.04%. 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, 2019

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, 2019, were as follows:

Total pension liability	\$ 15,662,846
Plan fiduciary net position	<u>(13,898,265)</u>
NET PENSION LIABILITY	\$ <u>1,764,581</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>88.73%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	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, 2019 (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, 2019

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, 2018	\$ 14,368,673	\$ 11,249,705	\$ 3,118,968
Changes for the year			
Service cost	360,849	-	360,849
Interest	1,048,495	-	1,048,495
Differences between expected and actual experience	(424,558)	-	(424,558)
Changes of assumptions	1,037,676	-	1,037,676
Contributions			
Employer	-	701,195	(701,195)
Member	-	118,845	(118,845)
Net investment income	-	2,569,059	(2,569,059)
Benefit payments	(728,289)	(728,289)	-
Administrative expense	-	(12,250)	12,250
Net changes	<u>1,294,173</u>	<u>2,648,560</u>	<u>(1,354,387)</u>
Balances at December 31, 2019	\$ <u>15,662,846</u>	\$ <u>13,898,265</u>	\$ <u>1,764,581</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>3,739,051</u>	\$ <u>1,764,581</u>	\$ <u>126,418</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the Township recognized pension expense of \$756,963 for the Police Pension Plan. At December 31, 2019, 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	\$ 5,029	\$ 521,694
Change of assumptions	1,508,649	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>625,565</u>
Total	<u>\$ 1,513,678</u>	<u>\$ 1,147,259</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>	
2020	\$ 32,037
2021	49,863
2022	219,846
2023	(165,242)
2024	76,640
Thereafter	<u>153,275</u>
	<u>\$ 366,419</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, 2019

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, 2019, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>15</u>
	<u><u>36</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, 2019

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 2019, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$233,686. Contributions of \$110,794 and \$122,892 were made by the Township and the Commonwealth, respectively. Non-Uniformed employees were not required to contribute to the Plan in 2019.

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, 2019:

<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, 2019

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

Rate of Return - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 23.43%. 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, 2019, were as follows:

Total pension liability	\$ 4,419,409
Plan fiduciary net position	<u>(3,693,696)</u>
NET PENSION LIABILITY (ASSET)	<u>\$ 725,713</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>83.58%</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	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, 2019

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, 2019 (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, 2019

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

Changes in the Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
Balances at December 31, 2018	\$ 4,033,601	\$ 2,952,537	\$ 1,081,064
Changes for the year			
Service cost	110,345	-	110,345
Interest	294,693	-	294,693
Differences between expected and actual experience	(272,952)	-	(272,952)
Changes of assumptions	424,078	-	424,078
Contributions			
Employer	-	233,686	(233,686)
Net investment income	-	684,029	(684,029)
Benefit payments	(170,356)	(170,356)	-
Administrative expense	-	(6,200)	6,200
Net changes	<u>385,808</u>	<u>741,159</u>	<u>(355,351)</u>
Balances at December 31, 2019	\$ <u>4,419,409</u>	\$ <u>3,693,696</u>	\$ <u>725,713</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 <u>(6.0%)</u>	Current Discount Rate (7.0%) <u></u>	1% Increase <u>(8.0%)</u>
Net pension liability (asset)	\$ <u>1,282,790</u>	\$ <u>725,713</u>	\$ <u>255,515</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the Township recognized pension expense of \$264,956 for the Non-Uniformed Employees' Pension Plan. At December 31, 2019, 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	\$ 11,075	\$ 274,741
Change of assumptions	590,794	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>192,286</u>
Total	<u>\$ 601,869</u>	<u>\$ 467,027</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>	
2020	\$ 4,855
2021	13,825
2022	61,636
2023	(35,889)
2024	69,264
Thereafter	<u>21,150</u>
	<u>\$ 134,842</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, 2019

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 2019 were \$29,075. 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 \$7,707 to the plan during the year ended December 31, 2019.

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, 2019

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, 2019

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	12
Inactive employees entitled to but not yet receiving benefit payments	3
Active employees	<u>22</u>
TOTAL MEMBERSHIP	<u>37</u>

Total OPEB Liability

The Township's total OPEB liability of \$4,311,750 was measured as of December 31, 2019 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	3.46%
Healthcare cost trend rates	5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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 IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2018	\$ <u>4,346,432</u>
Changes for the year	
Service cost	199,933
Interest	140,201
Changes of assumptions	(172,420)
Benefit payments	(202,396)
Other changes	-
NET CHANGES	<u>(34,682)</u>
BALANCES AT DECEMBER 31, 2019	\$ <u><u>4,311,750</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% in 2018 to 3.64% in 2019.

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 (2.64%) or 1-percentage point higher (4.64%) than the current discount rate:

	1% Decrease <u>(2.64%)</u>	Current Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Total OPEB liability	\$ <u>4,680,367</u>	\$ <u>4,311,750</u>	\$ <u>3,977,685</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 <u></u>	Current Discount Rate <u></u>	1% Increase <u></u>
Total OPEB liability	\$ <u>3,844,321</u>	\$ <u>4,311,750</u>	\$ <u>4,856,252</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the Township recognized OPEB expense of \$338,880. At December 31, 2019, 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	\$ -	\$ -
Change of assumptions	121,792	150,867
Benefit payments subsequent to the measurement date (1/1/2019)	<u>188,906</u>	<u>-</u>
	<u>\$ 310,698</u>	<u>\$ 150,867</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	\$ (1,254)
2021	(1,254)
2022	(1,254)
2023	(1,254)
2024	(1,254)
Thereafter	<u>(22,805)</u>
	<u>\$ (29,075)</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, 2019

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 \$1,132,313 for the year ended December 31, 2019.

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, 2019, applying the accrual basis, is computed as follows:

	<u>Total</u>
ALLOCATION CALCULATION	
Current year's operating service charge payments	\$ 2,681,254
Sludge removal reimbursements	<u>217,143</u>
TOTAL OPERATING REVENUE	<u>2,898,397</u>
Current year's total operating costs	2,922,864
Less earnings on investments	<u>27,892</u>
NET OPERATING COSTS ALLOCATED	<u>2,894,972</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, OVER	<u>\$ 3,425</u>

TOWAMENCIN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the balance due on the Note is \$69,500.

NOTE S - PRIOR PERIOD RESTATEMENT

The Township implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

For the fiduciary fund custodial activities, the Township has treated the beginning of year net position of \$548,484 as having been recognized in the period incurred. The Township has adjusted beginning net position for their fiduciary activities from \$0 to 548,484.

NOTE T - SUBSEQUENT EVENT

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections and the collection of water and sewer charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Township having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have experienced significant market volatility since the beginning of the year. This volatility may have a significant detrimental impact on the value of the investments held by the Township and the Township's pension plans. Decreases in the value of investments held by the Plans may result in a significant impact on the pension liabilities and related deferred inflows and outflows related to the pension plans. At this point, the extent to which COVID-19 will impact our financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Real estate taxes, net	\$ 2,213,341	\$ 2,204,721	\$ 2,198,457	\$ (6,264)
Earned income taxes	3,375,000	3,511,653	3,537,745	26,092
Local services tax	330,000	347,720	351,895	4,175
Real estate transfer tax	375,000	450,000	497,868	47,868
Intergovernmental revenues	504,671	502,403	487,734	(14,669)
Licenses and permits	799,040	694,791	677,007	(17,784)
Fines and forfeits	76,000	58,074	66,407	8,333
Charges for services	13,000	18,320	32,258	13,938
Investment income and rents	36,235	55,700	56,153	453
Miscellaneous	70,700	73,446	93,861	20,415
TOTAL REVENUES	<u>7,792,987</u>	<u>7,916,828</u>	<u>7,999,385</u>	<u>82,557</u>
EXPENDITURES				
General government	1,625,285	1,662,582	2,034,473	(371,891)
Public safety	5,107,825	4,922,420	4,912,552	9,868
Parks and recreation	8,100	8,100	8,100	-
Highways	1,303,039	1,209,735	1,270,613	(60,878)
Debt service				
Principal retirement	-	-	32,900	(32,900)
TOTAL EXPENDITURES	<u>8,044,249</u>	<u>7,802,837</u>	<u>8,258,638</u>	<u>(455,801)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(251,262)</u>	<u>113,991</u>	<u>(259,253)</u>	<u>(373,244)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(1,324,709)	(1,167,209)	(1,167,209)	-
Operating transfers in	1,207,000	1,207,000	1,284,509	77,509
TOTAL OTHER FINANCING SOURCES (USES)	<u>(117,709)</u>	<u>39,791</u>	<u>117,300</u>	<u>77,509</u>
NET CHANGE IN FUND BALANCE	<u>\$ (368,971)</u>	<u>\$ 153,782</u>	<u>(141,953)</u>	<u>\$ (295,735)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>160,079</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 18,126</u>	

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

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 360,849	\$ 309,765	\$ 295,014	\$ 299,507	\$ 285,245	\$ 271,550
Interest	1,048,495	1,027,087	982,099	916,059	868,469	851,785
Differences between expected and actual experience	(424,558)	-	8,800	-	(337,966)	-
Changes of assumptions	1,037,676	-	1,051,196	-	-	-
Benefit payments	<u>(728,289)</u>	<u>(705,822)</u>	<u>(678,212)</u>	<u>(576,099)</u>	<u>(570,117)</u>	<u>(610,897)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,294,173	631,030	1,658,897	639,467	245,631	512,438
Total pension liability, beginning	<u>14,368,673</u>	<u>13,737,643</u>	<u>12,078,746</u>	<u>11,439,279</u>	<u>11,193,648</u>	<u>10,681,210</u>
TOTAL PENSION LIABILITY, ENDING (a)	\$ <u>15,662,846</u>	\$ <u>14,368,673</u>	\$ <u>13,737,643</u>	\$ <u>12,078,746</u>	\$ <u>11,439,279</u>	\$ <u>11,193,648</u>
PLAN FIDUCIARY NET POSITION						
Contributions						
Employer	\$ 701,195	\$ 705,780	\$ 781,800	\$ 773,557	\$ 814,586	\$ 750,629
Member	118,845	113,061	113,068	112,433	109,860	105,271
Net investment income	2,569,059	(1,010,016)	1,631,241	835,419	(315,299)	437,151
Benefit payments, including refunds of member contributions	(728,289)	(705,822)	(678,212)	(576,099)	(570,117)	(610,897)
Administrative expense	<u>(12,250)</u>	<u>(5,018)</u>	<u>(11,065)</u>	<u>(8,125)</u>	<u>(40,618)</u>	<u>(8,392)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,648,560	(902,015)	1,836,832	1,137,185	(1,588)	673,762
Plan fiduciary net position, beginning	<u>11,249,705</u>	<u>12,151,720</u>	<u>10,314,888</u>	<u>9,177,703</u>	<u>9,179,291</u>	<u>8,505,529</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ <u>13,898,265</u>	\$ <u>11,249,705</u>	\$ <u>12,151,720</u>	\$ <u>10,314,888</u>	\$ <u>9,177,703</u>	\$ <u>9,179,291</u>
NET PENSION LIABILITY, ENDING (a)-(b)	\$ <u>1,764,581</u>	\$ <u>3,118,968</u>	\$ <u>1,585,923</u>	\$ <u>1,763,858</u>	\$ <u>2,261,576</u>	\$ <u>2,014,357</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>88.73%</u>	<u>78.29%</u>	<u>88.46%</u>	<u>85.40%</u>	<u>80.23%</u>	<u>82.00%</u>
COVERED PAYROLL	\$ <u>2,288,083</u>	\$ <u>2,279,226</u>	\$ <u>2,160,268</u>	\$ <u>2,129,513</u>	\$ <u>2,112,439</u>	\$ <u>2,021,915</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>77.12%</u>	<u>136.84%</u>	<u>73.41%</u>	<u>82.83%</u>	<u>107.06%</u>	<u>99.63%</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 PENSION PLAN CONTRIBUTIONS
POLICE PENSION PLAN
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 701,195	\$ 705,780	\$ 781,800	\$ 773,557	\$ 814,586	\$ 750,629
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>701,195</u>	<u>705,780</u>	<u>781,800</u>	<u>773,557</u>	<u>814,586</u>	<u>750,629</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>2,288,083</u>	\$ <u>2,279,226</u>	\$ <u>2,160,268</u>	\$ <u>2,129,513</u>	\$ <u>2,112,439</u>	\$ <u>2,021,915</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>30.65%</u>	<u>30.97%</u>	<u>36.19%</u>	<u>36.33%</u>	<u>38.56%</u>	<u>37.12%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2017 January 1, 2015 January 1, 2013

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	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	8 years	5 years	8 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 90% to 110% of market value	Smoothed value with a corridor of 90% to 110% of market value
Inflation	3.0%	3.0%	3.0%
Salary increases	5% annual increase	5% annual increase	5% annual increase
Investment rate of return	7.5%	8.0%	8.0%
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	Latest of age 53, age at the completion of 25 years of service
Mortality	IRS 2017 Static Tables	RP-2000 Table	RP-2000 Table

Assumption Changes: For the January 1, 2017 valuation, the investment rate of return decreased from 8.0% to 7.5%, the corridor used for asset valuation was increased by 20%, and the mortality tables were updated to the IRS 2017 Static Tables.

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 PENSION PLAN INVESTMENT RETURNS
POLICE PENSION PLAN
LAST SIX FISCAL YEARS

	<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>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 SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 110,345	\$ 114,464	\$ 109,013	\$ 96,050	\$ 91,476	\$ 104,908
Interest	294,693	286,122	267,777	238,558	223,653	216,200
Differences between expected and actual experience	(272,952)	-	17,720	-	(92,581)	-
Changes of assumptions	424,078	-	363,679	-	-	-
Benefit payments	(170,356)	(134,954)	(140,333)	(140,848)	(125,919)	(117,948)
NET CHANGE IN TOTAL PENSION LIABILITY	385,808	265,632	617,856	193,760	96,629	203,160
Total pension liability, beginning	4,033,601	3,767,969	3,150,113	2,956,353	2,859,724	2,656,564
TOTAL PENSION LIABILITY, ENDING (a)	\$ 4,419,409	\$ 4,033,601	\$ 3,767,969	\$ 3,150,113	\$ 2,956,353	\$ 2,859,724
PLAN FIDUCIARY NET POSITION						
Contributions						
Employer	\$ 233,686	\$ 162,506	\$ 158,310	\$ 162,360	\$ 182,117	\$ 151,635
Net investment income	684,029	(248,450)	443,777	242,877	(86,197)	111,632
Benefit payments, including refunds of member contributions	(170,356)	(134,954)	(140,333)	(140,848)	(125,919)	(117,948)
Administrative expense	(6,200)	(4,110)	(9,667)	(7,077)	(9,759)	(4,017)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	741,159	(225,008)	452,087	257,312	(39,758)	141,302
Plan fiduciary net position, beginning	2,952,537	3,177,545	2,725,458	2,468,146	2,507,904	2,366,602
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 3,693,696	\$ 2,952,537	\$ 3,177,545	\$ 2,725,458	\$ 2,468,146	\$ 2,507,904
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 725,713	\$ 1,081,064	\$ 590,424	\$ 424,655	\$ 488,207	\$ 351,820
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	83.58%	73.20%	84.33%	86.52%	83.49%	87.70%
COVERED PAYROLL	\$ 995,832	\$ 1,081,870	\$ 1,169,955	\$ 1,127,124	\$ 1,109,322	\$ 1,104,987
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	72.88%	99.93%	50.47%	37.68%	44.01%	31.84%

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 PENSION PLAN CONTRIBUTIONS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 233,686	\$ 162,506	\$ 158,310	\$ 162,360	\$ 181,117	\$ 151,635
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>233,686</u>	<u>162,506</u>	<u>158,310</u>	<u>162,360</u>	<u>182,117</u>	<u>151,635</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 995,832</u>	<u>\$ 1,081,870</u>	<u>\$ 1,169,955</u>	<u>\$ 1,127,124</u>	<u>\$ 1,109,322</u>	<u>\$ 1,104,987</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>23.47%</u>	<u>15.02%</u>	<u>13.53%</u>	<u>14.40%</u>	<u>16.42%</u>	<u>13.72%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2017 January 1, 2015 January 1, 2013

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	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	13 years	14 years	17 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	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%	3.0%	3.0%
Salary increases	5% annual increase	5% annual increase	5% annual increase
Investment rate of return	7.5%	8.0%	8.0%
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Mortality	IRS 2017 Static Tables	RP-2000 Table	RP-2000 Table
Change in benefit terms	None	New hires not eligible for Plan effective August 1, 2014	None

Assumption Changes: For the January 1, 2017 valuation, the investment rate of return decreased from 8.0% to 7.5% and the mortality tables were updated to the IRS 2017 Static Tables.

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 PENSION PLAN INVESTMENT RETURNS
NON-UNIFORMED EMPLOYEES' PENSION PLAN
LAST SIX FISCAL YEARS

	<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>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 TWO FISCAL YEARS

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

NOTES TO SCHEDULE

Changes in assumptions: 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, 2019

	Special Revenue Funds	Capital Project Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 78,017	\$ 545,808	\$ 623,825
Investments	-	-	-
Accounts receivable	944	262,776	263,720
Taxes receivable, net	3,874	-	3,874
Prepaid expenses	<u>27,985</u>	<u>-</u>	<u>27,985</u>
TOTAL ASSETS	<u>\$ 110,820</u>	<u>\$ 808,584</u>	<u>\$ 919,404</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	<u>\$ 40,283</u>	<u>\$ 33,208</u>	<u>\$ 73,491</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>3,874</u>	<u>-</u>	<u>3,874</u>
FUND BALANCES			
Nonspendable, prepaid expenses	27,985	-	27,985
Restricted			
Highway and street projects	26,104	-	26,104
Street lights	1,476	-	1,476
Parks and recreation	32,313	-	32,313
Committed			
Public art	-	147,715	147,715
Community pool	5,879	-	5,879
Assigned			
Capital projects	891	627,661	628,552
Unassigned	<u>(27,985)</u>	<u>-</u>	<u>(27,985)</u>
TOTAL FUND BALANCES	<u>66,663</u>	<u>775,376</u>	<u>842,039</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 110,820</u>	<u>\$ 808,584</u>	<u>\$ 919,404</u>

TOWAMENCIN TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Real estate taxes, net			
Current year	\$ 428,002	\$ -	\$ 428,002
Prior years and liened taxes	4,598	-	4,598
Intergovernmental revenues	689,541	452,471	1,142,012
Departmental earnings	4,021	10,220	14,241
Investment income and rents	7,455	130	7,585
Miscellaneous	5	-	5
TOTAL REVENUES	<u>1,133,622</u>	<u>462,821</u>	<u>1,596,443</u>
EXPENDITURES			
General government	-	201	201
Public safety	322,515	-	322,515
Parks and recreation	854,657	1,006,649	1,861,306
Principal retirement	36,600	-	36,600
Capital outlays	-	465,172	465,172
TOTAL EXPENDITURES	<u>1,213,772</u>	<u>1,472,022</u>	<u>2,685,794</u>
DEFICIENCY OF REVENUES OVER REVENUES EXPENDITURES			
	<u>(80,150)</u>	<u>(1,009,201)</u>	<u>(1,089,351)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of capital lease	-	42,530	42,530
Proceeds from issuance of debt	-	1,000,000	1,000,000
Operating transfers out	(257,460)	(220,000)	(477,460)
Operating transfers in	269,700	346,460	616,160
Proceeds from sale of capital assets	-	16,070	16,070
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,240</u>	<u>1,185,060</u>	<u>1,197,300</u>
NET CHANGE IN FUND BALANCES			
	(67,910)	175,859	107,949
FUND BALANCES AT BEGINNING OF YEAR			
	<u>134,573</u>	<u>599,517</u>	<u>734,090</u>
FUND BALANCES AT END OF YEAR			
	<u>\$ 66,663</u>	<u>\$ 775,376</u>	<u>\$ 842,039</u>

TOWAMENCIN TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019

	<u>Street Lighting Fund</u>	<u>Fire Protection Fund</u>	<u>Parks and Recreation Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,476	\$ -	\$ 44,348
Accounts receivable	-	359	585
Taxes receivable, net	-	553	3,321
Prepaid expenses	-	27,985	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,476</u>	<u>\$ 28,897</u>	<u>\$ 48,254</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 27,453	\$ 12,620
	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	553	3,321
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Nonspendable, prepaid expenses	-	27,985	-
Restricted			
Highway and street projects	-	-	-
Street lights	1,476	-	-
Parks and recreation	-	-	32,313
Committed			
Community pool	-	-	-
Assigned			
Capital projects	-	891	-
Unassigned	-	(27,985)	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,476</u>	<u>891</u>	<u>32,313</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	<u>\$ 1,476</u>	<u>\$ 28,897</u>	<u>\$ 48,254</u>

<u>Pool Fund</u>	<u>Highway Aid</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 6,089	\$ 26,104	\$ 78,017
-	-	944
-	-	3,874
-	-	27,985
\$ 6,089	\$ 26,104	\$ 110,820
\$ 210	\$ -	\$ 40,283
-	-	3,874
-	-	27,985
-	26,104	26,104
-	-	1,476
-	-	32,313
5,879	-	5,879
-	-	891
-	-	(27,985)
5,879	26,104	66,663
\$ 6,089	\$ 26,104	\$ 110,820

TOWAMENCIN TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2019

	Street Lighting Fund	Fire Protection Fund	Parks and Recreation Fund
REVENUES			
Real estate taxes, net			
Current year	\$ 726	\$ 61,039	\$ 366,237
Prior years and liened taxes	-	657	3,941
Intergovernmental revenues	-	124,948	19,989
Departmental earnings	-	-	4,021
Investment income and rents	-	-	737
Miscellaneous	-	-	5
TOTAL REVENUES	<u>726</u>	<u>186,644</u>	<u>394,930</u>
EXPENDITURES			
Public safety	-	322,515	-
Parks and recreation	-	-	250,189
Debt service			
Principal retirement	-	36,600	-
TOTAL EXPENDITURES	<u>-</u>	<u>359,115</u>	<u>250,189</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>726</u>	<u>(172,471)</u>	<u>144,741</u>
OTHER FINANCING USES			
Proceeds from issuance of capital lease	-	-	-
Operating transfers out	-	-	(257,460)
Operating transfers in	-	166,500	82,200
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>166,500</u>	<u>(175,260)</u>
NET CHANGE IN FUND BALANCES	726	(5,971)	(30,519)
FUND BALANCES AT BEGINNING OF YEAR	<u>750</u>	<u>6,862</u>	<u>62,832</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,476</u>	<u>\$ 891</u>	<u>\$ 32,313</u>

Pool Fund	Highway Aid	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 428,002
-	-	4,598
-	544,604	689,541
-	-	4,021
-	6,718	7,455
-	-	5
<u>-</u>	<u>551,322</u>	<u>1,133,622</u>
-	-	322,515
53,073	551,395	854,657
-	-	36,600
<u>53,073</u>	<u>551,395</u>	<u>1,213,772</u>
<u>(53,073)</u>	<u>(73)</u>	<u>(80,150)</u>
-	-	-
-	-	(257,460)
<u>21,000</u>	<u>-</u>	<u>269,700</u>
<u>21,000</u>	<u>-</u>	<u>12,240</u>
(32,073)	(73)	(67,910)
<u>37,952</u>	<u>26,177</u>	<u>134,573</u>
<u>\$ 5,879</u>	<u>\$ 26,104</u>	<u>\$ 66,663</u>

TOWAMENCIN TOWNSHIP
BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2019

	<u>General Capital Fund</u>	<u>Capital Public Art</u>
ASSETS		
Cash and cash equivalents	\$ 311,043	\$ 147,715
Accounts receivable	<u>262,776</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 573,819</u>	<u>\$ 147,715</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ <u>22,149</u>	\$ <u>-</u>
FUND BALANCE		
Committed		
Public art	-	147,715
Assigned		
Capital projects	<u>551,670</u>	<u>-</u>
TOTAL FUND BALANCES	<u>551,670</u>	<u>147,715</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 573,819</u>	<u>\$ 147,715</u>

<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
\$ 83,842	\$ 3,208	\$ 545,808
<u>-</u>	<u>-</u>	<u>262,776</u>
<u>\$ 83,842</u>	<u>\$ 3,208</u>	<u>\$ 808,584</u>
<u>\$ 11,059</u>	<u>\$ -</u>	<u>\$ 33,208</u>
-	-	147,715
<u>72,783</u>	<u>3,208</u>	<u>627,661</u>
<u>72,783</u>	<u>3,208</u>	<u>775,376</u>
<u>\$ 83,842</u>	<u>\$ 3,208</u>	<u>\$ 808,584</u>

TOWAMENCIN TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2019

	General Capital Fund	Capital Public Art
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental revenues	\$ 452,471	\$ -
Departmental earnings	-	-
Investment income and rents	-	58
TOTAL REVENUES	<u>452,471</u>	<u>58</u>
EXPENDITURES		
General government	201	-
Parks and recreation	-	-
Capital outlay	465,172	-
TOTAL EXPENDITURES	<u>465,373</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,902)</u>	<u>58</u>
OTHER FINANCING SOURCES		
Proceeds from issuance of capital lease	42,530	-
Proceeds from issuance of debt	100,000	-
Operating transfers out	-	-
Operating transfers in	110,000	-
Proceeds from sale of capital assets	16,070	-
TOTAL OTHER FINANCING SOURCES	<u>268,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	255,698	58
FUND BALANCES AT BEGINNING OF YEAR	<u>295,972</u>	<u>147,657</u>
FUND BALANCES AT END OF YEAR	<u>\$ 551,670</u>	<u>\$ 147,715</u>

<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
\$ -	\$ -	\$ 452,471
10,220	-	10,220
5	67	130
<u>10,225</u>	<u>67</u>	<u>462,821</u>
-	-	201
1,006,649	-	1,006,649
-	-	465,172
<u>1,006,649</u>	<u>-</u>	<u>1,472,022</u>
<u>(996,424)</u>	<u>67</u>	<u>(1,009,201)</u>
-	-	42,530
900,000	-	1,000,000
(220,000)	-	(220,000)
236,460	-	346,460
-	-	16,070
<u>916,460</u>	<u>-</u>	<u>1,185,060</u>
(79,964)	67	175,859
<u>152,747</u>	<u>3,141</u>	<u>599,517</u>
<u>\$ 72,783</u>	<u>\$ 3,208</u>	<u>\$ 775,376</u>

TOWAMENCIN TOWNSHIP
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,769,668	\$ 537,532	\$ 2,307,200
Investments			
Exchange traded funds	6,768	2,026	8,794
Corporate bonds	398,319	100,854	499,173
Equity mutual funds	1,147,599	306,656	1,454,255
Common stocks	10,513,781	2,774,517	13,288,298
Prepaid expenses	<u>60,982</u>	<u>16,713</u>	<u>77,695</u>
TOTAL ASSETS	<u>\$ 13,897,117</u>	<u>\$ 3,738,298</u>	<u>\$ 17,635,415</u>
NET POSITION			
Restricted for pensions	<u>\$ 13,897,117</u>	<u>\$ 3,738,298</u>	<u>\$ 17,635,415</u>

TOWAMENCIN TOWNSHIP**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2019**

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 820,040	\$ 249,057	\$ 1,069,097
Investment gain	2,386,391	636,460	3,022,851
Miscellaneous revenue	185,851	49,574	235,425
TOTAL ADDITIONS	<u>3,392,282</u>	<u>935,091</u>	<u>4,327,373</u>
DEDUCTIONS			
Benefit payments to retired plan participants	729,635	170,356	899,991
Administrative	14,467	1,807	16,274
TOTAL DEDUCTIONS	<u>744,102</u>	<u>172,163</u>	<u>916,265</u>
CHANGE IN NET POSITION	2,648,180	762,928	3,411,108
NET POSITION AT BEGINNING OF YEAR	<u>11,248,937</u>	<u>2,975,370</u>	<u>14,224,307</u>
NET POSITION AT END OF YEAR	<u>\$ 13,897,117</u>	<u>\$ 3,738,298</u>	<u>\$ 17,635,415</u>