

Newberry Township

Year Ended December 31, 2019

Newberry Township

Financial Statements with Supplementary Information - Modified Cash Basis

Year Ended December 31, 2019

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Newberry Township

Financial Statements with Supplementary Information -
Modified Cash Basis

Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Newberry Township
Etters, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining funds of **Newberry Township** (the Township) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 of 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 auditors consider internal control relevant to the Township'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 Township'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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Newberry Township** as of December 31, 2019, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019 the Township adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*, as applicable to the modified cash basis of accounting. Our opinions are not modified with respect to this matter as applicable to the modified cash basis of accounting.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Newberry Township's** basic primary government financial statements. The schedule of budgetary comparison information - modified cash basis - general fund on page 32, the concise statement for publication - modified cash basis on page 33, the schedule of funding progress - pension plans on page 34, the schedules of changes in net pension liability and related ratios on pages 35 and 36, and the schedule of Township plan investment returns - pension plans on page 37 and the schedule of changes in net OPEB liability and related ratios - police health and welfare plans on page 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and the concise statement of publication are the responsibility of management and were derived from and related 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 schedules described above are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

The schedule of funding progress - pension plans, the schedules of changes in net pension liability and related ratios - pension plans, the schedule of Township plan investment returns - pension plans and the schedule of changes in net OPEB liability and related ratios - police health and welfare plans have not been subjected to the auditing procedures applied in the audit of the primary government basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Trout CPA

August 21, 2020
Lancaster, Pennsylvania

Newberry Township
 STATEMENT of NET POSITION - Modified Cash Basis
 December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,248,070	\$ 5,626,358	\$ 10,874,428
Investments	-0-	1,048,505	1,048,505
Restricted Investments	-0-	73,044	73,044
Internal Balances	<u>16,986</u>	<u>(16,986)</u>	<u>-0-</u>
TOTAL ASSETS	<u>5,265,056</u>	<u>6,730,921</u>	<u>11,995,977</u>
LIABILITIES			
Escrow Deposits	265,392	11,738	277,130
Due to Developers (net)	<u>-0-</u>	<u>920</u>	<u>920</u>
TOTAL LIABILITIES	<u>265,392</u>	<u>12,658</u>	<u>278,050</u>
NET POSITION			
Restricted	1,433,793	73,044	1,506,837
Unrestricted	<u>3,565,871</u>	<u>6,645,219</u>	<u>10,211,090</u>
TOTAL NET POSITION	<u>\$ 4,999,664</u>	<u>\$ 6,718,263</u>	<u>\$ 11,717,927</u>

See notes to financial statements.

Newberry Township
STATEMENT of ACTIVITIES - Modified Cash Basis
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 515,507	\$ 40,363	\$ 71,933	\$ -0-	\$ (403,211)	\$ -0-	\$ (403,211)
Public Safety	2,594,149	375,427	206,627	-0-	(2,012,095)	-0-	(2,012,095)
Public Works - Highways	1,517,447	-0-	603,403	-0-	(914,044)	-0-	(914,044)
Public Works - Other	150,445	143,633	-0-	-0-	(6,812)	-0-	(6,812)
Culture and Recreation	54,740	29,620	-0-	-0-	(25,120)	-0-	(25,120)
Debt Service	94,895	-0-	-0-	-0-	(94,895)	-0-	(94,895)
Miscellaneous	1,439,162	-0-	220,181	-0-	(1,218,981)	-0-	(1,218,981)
Total Governmental Activities	6,366,345	589,043	1,102,144	-0-	(4,675,158)	-0-	(4,675,158)
Business-Type Activities:							
Sewer Operations	<u>2,060,210</u>	<u>2,503,860</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>443,650</u>	<u>443,650</u>
Total Government	<u>\$ 8,426,555</u>	<u>\$ 3,092,903</u>	<u>\$ 1,102,144</u>	<u>\$ -0-</u>	\$ (4,675,158)	\$ 443,650	\$ (4,231,508)

See notes to financial statements.

Newberry Township
 STATEMENT of ACTIVITIES - Modified Cash Basis
 (Continued)
 Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:							
Taxes:							
	Property Taxes, Levied for General Purposes, net				\$ 1,824,377	\$ -0-	\$ 1,824,377
	Public Utility Realty, Earned Income, Realty Transfer, and Other Taxes, net				2,675,660	-0-	2,675,660
	Cable Television Franchise Fees				185,879	-0-	185,879
	Investment Earnings				43,371	61,179	104,550
	Miscellaneous Income				35,659	-0-	35,659
	Proceeds on Sale of Fixed Assets				1,400	11,900	13,300
	Total General Revenues				4,766,346	73,079	4,839,425
	CHANGES in NET POSITION				91,188	516,729	607,917
NET POSITION							
	Beginning, as restated				4,908,476	6,201,534	11,110,010
	Ending				\$ 4,999,664	\$ 6,718,263	\$ 11,717,927

See notes to financial statements.

Newberry Township
BALANCE SHEET -
GOVERNMENTAL FUNDS - Modified Cash Basis
December 31, 2019

	General Fund	Highway Aid Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,693,205	\$ 649,173	\$ 905,692	\$ 5,248,070
Due from Other Funds	<u>16,986</u>	<u>-0-</u>	<u>68</u>	<u>17,054</u>
TOTAL ASSETS	<u>3,710,191</u>	<u>649,173</u>	<u>905,760</u>	<u>5,265,124</u>
LIABILITIES and FUND BALANCES				
LIABILITIES				
Escrow Payables	265,392	-0-	-0-	265,392
Due to Other Funds	<u>68</u>	<u>-0-</u>	<u>-0-</u>	<u>68</u>
TOTAL LIABILITIES	265,460	-0-	-0-	265,460
FUND BALANCES				
Restricted:				
Fire Hydrant Service	780,597	-0-	-0-	780,597
Construction Projects	-0-	-0-	4,023	4,023
Road Construction and Maintenance	-0-	649,173	-0-	649,173
Unassigned	<u>2,664,134</u>	<u>-0-</u>	<u>901,737</u>	<u>3,565,871</u>
TOTAL FUND BALANCES	<u>3,444,731</u>	<u>649,173</u>	<u>905,760</u>	<u>4,999,664</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 3,710,191</u>	<u>\$ 649,173</u>	<u>\$ 905,760</u>	<u>\$ 5,265,124</u>

See notes to financial statements.

Newberry Township

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
GOVERNMENTAL FUNDS - Modified Cash Basis
Year Ended December 31, 2019

	General Fund	Highway Aid Fund	Capital Reserve Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 4,500,037	\$ -0-	\$ -0-	\$ 4,500,037
Licenses, Permits, and Fees	208,663	-0-	-0-	208,663
Fines and Forfeits	101,595	-0-	-0-	101,595
Interest and Rents	23,419	21,635	2,542	47,596
Intergovernmental Revenue	498,741	603,403	-0-	1,102,144
Charges for Services	430,819	-0-	29,620	460,439
Miscellaneous Revenue	35,659	-0-	-0-	35,659
	<u>5,798,933</u>	<u>625,038</u>	<u>32,162</u>	<u>6,456,133</u>
EXPENDITURES				
General Government	515,507	-0-	-0-	515,507
Public Safety	2,594,149	-0-	-0-	2,594,149
Public Works - Highways	702,889	814,558	-0-	1,517,447
Public Works - Other	150,445	-0-	-0-	150,445
Culture and Recreation	36,068	-0-	18,672	54,740
Debt Service	94,895	-0-	-0-	94,895
Pension and Other Benefits	1,439,162	-0-	-0-	1,439,162
	<u>5,533,115</u>	<u>814,558</u>	<u>18,672</u>	<u>6,366,345</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES				
	265,818	(189,520)	13,490	89,788
OTHER FINANCING SOURCES				
Proceeds of Fixed Assets	<u>-0-</u>	<u>-0-</u>	<u>1,400</u>	<u>1,400</u>
NET CHANGES in FUND BALANCES				
	265,818	(189,520)	14,890	91,188
FUND BALANCES				
Beginning, as restated	3,178,913	838,693	890,870	4,908,476
Ending	<u>\$ 3,444,731</u>	<u>\$ 649,173</u>	<u>\$ 905,760</u>	<u>\$ 4,999,664</u>

See notes to financial statements.

Newberry Township
 STATEMENT of NET POSITION -
 PROPRIETARY FUNDS - Modified Cash Basis
 December 31, 2019

	Sewer Fund
ASSETS	
Cash and Cash Equivalents	\$ 5,626,358
Investments	1,048,505
Restricted Investments	73,044
Due from Other Funds	<u>-0-</u>
TOTAL ASSETS	<u>6,747,907</u>
LIABILITIES	
Escrow Deposits	11,738
Due to Other funds	16,986
Due to Developers (net)	<u>920</u>
TOTAL LIABILITIES	<u>29,644</u>
NET POSITION	
Restricted for Sewer Construction Projects	73,044
Unrestricted	<u>6,645,219</u>
TOTAL NET POSITION	<u>\$ 6,718,263</u>

See notes to financial statements.

Newberry Township
 STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
 PROPRIETARY FUNDS - Modified Cash Basis
 Year Ended December 31, 2019

	Sewer Fund
OPERATING REVENUES	
Charges for Services	\$ 2,503,860
OPERATING EXPENSES	
Contracted Services	31,225
Employee Benefits	109,123
Insurance	39,736
Materials and Supplies	192,705
Office Expense	135,182
Payroll Taxes	18,719
Professional Services	10,574
Pump Station Maintenance	40,920
Repairs and Maintenance	57,974
Salaries	220,003
Sludge Removal	190,997
Utilities	6,716
Vehicle Expenses	<u>7,220</u>
Total Operating Expenses	<u>1,061,094</u>
OPERATING INCOME	1,442,766
NONOPERATING REVENUES (EXPENSES)	
Interest Income	61,179
Proceeds on Sale of Capital Assets	11,900
Debt Service	<u>(999,116)</u>
Net Nonoperating (Expenses)	<u>(926,037)</u>
CHANGES in NET POSITION	516,729
NET POSITION	
Beginning, as Previously Reported	<u>6,201,534</u>
Ending	<u>\$ 6,718,263</u>

See notes to financial statements.

Newberry Township
STATEMENT of NET POSITION -
FIDUCIARY FUNDS - Modified Cash Basis
December 31, 2019

	Pension Trust Funds
ASSETS	
Investments	<u><u>\$ 9,797,590</u></u>
LIABILITIES	<u><u>-0-</u></u>
NET POSITION	
Restricted for Pension Benefits	<u><u>\$ 9,797,590</u></u>

See notes to financial statements.

Newberry Township
 STATEMENT of CHANGES in NET POSITION -
 FIDUCIARY FUNDS - Modified Cash Basis
 Year Ended December 31, 2019

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer Contributions	\$ 225,361
Employee Contributions	110,610
Commonwealth of Pennsylvania	<u>220,181</u>
	556,152
Investment Income:	
Net Appreciation in Fair Value of Investments	<u>1,517,803</u>
Total Additions	2,073,955
DEDUCTIONS	
Retirement Benefits	532,381
Administration Expenses	<u>38,696</u>
Total Deductions	571,077
CHANGES in NET POSITION	1,502,878
NET POSITION	
Beginning	<u>8,294,712</u>
Ending	<u>\$ 9,797,590</u>

See notes to financial statements.

Newberry Township
NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Newberry Township (the Township) was incorporated in 1745. The Board of Supervisors is comprised of five members, who serve six-year terms.

The Township is a full service municipality with a 476 thousand gallon daily wastewater treatment facility. The Township encompasses greater than 90 miles of roads and employs 17 full-time police officers. The Township has two municipal parks and a volunteer fire company.

The Township provides sewer, zoning, code enforcement, police, street, and parks services to approximately 15,285 residents.

The following is a summary of the Township's significant accounting principles:

Reporting Entity

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, as amended, the criteria used by the Township to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviews the applicability of the following criteria:

The Township is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Township as defined below.

Impose its Will - If the Township can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - If the Township 1) is entitled to the organization's resources or 2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or 3) is obligated in some manner for the debt of the organization.

3. Organizations that are fiscally dependent on the Township and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the Township.

Based on the foregoing criteria, no additional entities are included in the accompanying financial statements.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures

Cumberland County Tax Collection Bureau

The Cumberland County Tax Bureau, a Division of the Cumberland County Tax Collection Committee, collects the local Earned Income Tax in three central PA counties. The jurisdiction includes all Cumberland County school districts and municipalities, the West Shore School District and municipalities in northern York County, and the Shippensburg Area School District and municipalities in eastern Franklin County. **Newberry Township** is represented by one delegate and one alternate to the Cumberland County Tax Collection Committee. The Township's share of the Bureau's expenses was \$31,241 for 2019, which is included in general government expenditures on the financial statements. The financial statements of the Bureau can be obtained from the Administrative Office at 21 Waterford Road, Suite 201, Mechanicsburg, PA, 17050.

York Adams Tax Bureau (Bureau)

The Township participates with 21 school districts in Adams and York Counties and the municipalities represented by those school districts for the collection of earned income and local service taxes through the York Adams Tax Bureau. Each public school district appoints one representative to serve on the Tax Bureau's Board of Directors and one representative is appointed by each of the participating municipalities. The Township's share of the Bureau's expenses was \$9,311 for 2019, which is included in general government expenditures on the financial statements. The financial statements of the Bureau can be obtained from the Administrative Office at 1405 North Duke Street, York, PA 17404.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Basis of Presentation - Financial Statements

Government-Wide Financial Statements

The statement of net position - modified cash basis and the statement of activities - modified cash basis display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting which is the same accounting basis used in preparing the fund financial statements.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

The government-wide statement of activities - modified cash basis presents direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Fiduciary funds are reported by fund type.

Governmental Fund Types

Governmental funds are used to account for the Township's expendable financial resources and related liabilities, except those accounted for in proprietary funds. The following are the Township's governmental fund types:

General Fund - The general fund is the principal operating fund of the Township. It is used to account for all financial resources except those accounted for in another fund. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The only special revenue fund of the Township is the Highway Aid Fund.

Capital Project Funds - These funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The only capital projects fund of the Township is the Capital Reserve Fund.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. Following is the Township's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for the Township's operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing goods or services to the residents on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. The sewer fund is used to account for those financial activities. This fund accounts for the revenues and expenses of providing sewer service to residents, commercial and industrial entities, and other neighboring municipalities.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

These are the funds that account for the assets held by the Township as a trustee or agent for individuals, private organizations, and/or governmental units. The funds included in this category are:

Pension Trust Funds - These funds are used to account for the accumulation of resources to be used for retirement and other benefits. These funds include the non-uniformed pension fund and police pension fund.

Major Fund Types

The funds are further classified major and nonmajor as follows:

Major:

General Fund

Capital Reserve Fund

Special Revenue Fund:

Highway Aid Fund

Proprietary Fund:

Sewer Fund

Nonmajor:

None

Basis of Accounting

The accounting and financial reporting treatment is determined by the basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements and the fund financial statements are reported using the modified cash basis of accounting. Revenues resulting from exchange and nonexchange transactions are recorded when received and expenses are recorded when paid. Exchange transactions involve both parties giving and receiving essentially equal value. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, earned income taxes, grants, entitlements, and donations. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Investments are recorded at fair value, which is the only modification from the pure cash basis of accounting.

When both restricted and unrestricted resources are available for use, the Township follows its annual budget in determining whether to use restricted or unrestricted resources first.

The Township distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Township's principal ongoing operations. The principal operating revenues of the Township are charges to customers for sales and services. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

An operating budget is adopted each year for substantially all funds on the modified cash basis of accounting. The budget for 2019 was proposed on November 13, 2018, with final adoption on December 11, 2018. There were no budget revisions or amendments.

Budgetary data is included in the Township's management information system and is employed as a management control device during the year.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost, which approximates fair value.

Investments

The Township categorizes the fair value measurements of its investments based on the hierarchy established by the modified cash basis of accounting. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

Restoration Deposits

A deposit is required when a developer, public utility or contractor must cut a Township road to install or repair utilities. The deposit amount is computed based on square yards of the planned road cut.

Observation Deposits

Developers are required to pay in advance 2% of their bonded project costs with the Township to pay for engineering and review fees. The Township then transfers these funds from the deposit account of the developer as reimbursement of costs incurred. The amount outstanding at December 31, 2019, represents uncommitted deposits where no costs have yet been incurred and, therefore, are due to the developers. Any unused deposits are returned to the developer upon completion of the project.

Capital Assets and Depreciation

The Township follows the modified cash basis of accounting and records all capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), as an expenditure or expense when paid. Since the capital assets are recorded as an expenditure or expense when paid, no depreciation is computed on these assets.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Township allows non-uniformed employees to accumulate unused sick leave to a maximum of 960 hours. Township police hired prior to January 1, 2017, may accumulate unused sick leave to a maximum of 1600 hours under their collective bargaining agreement. Police hired after January 1, 2017, may accumulate unused sick leave to a maximum of 800 hours. Upon termination 50% of sick leave is paid out to all employees except employees under the Teamsters contract receive 25% of accumulated sick leave. The Township allows all non-uniform employees to accumulate unused vacation time to a maximum of 400 hours. Township police may accumulate unused vacation time to a maximum of 450 hours. These amounts are recorded as expenses when paid.

Pension Plans

The Township maintains a single employer defined benefit pension retirement plan for non-uniformed employees and police covered by the provisions of Ordinance No. 95-262 adopted pursuant to Act 600. The Township adheres to GASB Statement No. 67, *Financial Reporting for Pension Plans*, as applicable to the modified cash basis of accounting. That statement establishes a financial reporting framework for state and local governmental pension plans that are administered through trusts or equivalent arrangements. GASB 67 applies to stand-alone financial statements issued for governmental pension plans, and to pension plans included as pension trust funds of the sponsoring government unit. That statement establishes a financial reporting framework for defined benefit pension plans that distinguishes between two categories of information: (a) current financial information about plan assets and financial activities, and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

The Township also adheres to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, as applicable to the modified cash basis of accounting. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The financial statements for the Township are prepared on the modified cash basis of accounting and therefore do not reflect any long-term liabilities or related expenses. The Township made all required contributions for the year ended December 31, 2019, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

Other Postemployment Benefits (OPEB)

Newberry Township's other post-employment benefits offered to Police employees and retirees hired prior to January 1, 2014, is a single-employer defined plan for benefits other than pension which is controlled by a collectively bargained agreement between **Newberry Township** and Newberry Township Patrolman's Association most recently revised September 9, 2018. The Township adheres to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as applicable to the modified cash basis of accounting. Under the modified cash basis of accounting, the Township does not estimate and record long-term liabilities, such as future OPEB liabilities. The Township records benefit payments when they are paid. The single-employer OPEB plan is unfunded.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

Fund balance for the governmental funds can be classified in five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resources providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Supervisors. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.

In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose.

The Township typically considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. However, the Township reserves the right to selectively spend unassigned resources first to defer the use of the classified balances. The Township considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

Interfund Activity

Exchange transactions between governmental funds or between proprietary funds are eliminated on the government-wide statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources or uses in governmental funds and after nonoperating revenues or expenses in proprietary funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The process of preparing financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates. The Township's most significant estimate relates to the valuation of investments.

Accounting Standards Adopted in 2019

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Township's beginning balances and current year results were not affected by the implementation of this new standard.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As a result of implementing this new standard, the Township's escrow fund is not considered a fiduciary activity and is now reported with the general fund. Beginning fund balance was restated to reflect the change in fund presentation, as discussed in Note 15.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Certain disclosures have been revised to conform to this standard.

Pending Changes in Accounting Principles

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the Township's 2022 financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the Township's 2021 financial statements.

The effects of the implementation of these standards and their applicability to the modified cash basis of accounting have not yet been determined.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits, certificates of deposit, and certain other high-quality bank and corporate instruments. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of state statutes or the policy of the Township.

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's policy requires that all deposits in excess of FDIC insurance coverage be collateralized with approved collateral as provided by law. At December 31, 2019, the Township's deposits totaled \$10,220,261 and the bank balances totaled \$10,342,778. Of the bank balances, \$1,000,000 was covered by federal depository insurance and \$9,342,778 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the Township's name.

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Bank Balance	10,342,778
Plus: External Investment Pool Balances	
Classified as Cash and Cash Equivalents	654,168
Less: Outstanding Checks	<u>(122,518)</u>
Total Cash and Cash Equivalents per the Financial Statements	10,874,428

Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statement of net position - modified cash basis at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Pooled separate accounts categorized as Level 2 are valued by the issuer of the account based on the fair value of the underlying investments. The carrying amount of insurance company general account investments is deemed to approximate fair value.

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Investments (Continued)

The Pennsylvania Local Government Investment Trust (PLGIT) Liquid Asset Fund is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The Township has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

Investments' fair value measurements are as follows at December 31, 2019:

Investments	Recorded Value	Fair Value Measurements Using			Maturity
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments Recorded at Fair Value:					
Mutual Funds	9,797,590	9,797,590			
Municipal Bonds	49,904	49,904			
Money Market	706,645	706,645			
Time Deposits	<u>365,000</u>	<u> </u>	<u>365,000</u>	<u> </u>	<30 Days
Total Investments Fair Value	10,919,139	10,554,139	365,000	- 0-	

Investments Recorded at Amortized

Cost:

PLGIT - Class	654,168		<30 Days
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Total Investments	11,573,307		
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Less: External Investment Pool Balances

Classified as Cash and Cash Equivalents	<u>(654,168)</u>		
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Total Investments per the

Financial Statements	10,919,139		
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Restrictions on Qualified Investment Pool Withdrawals

The Township's investments in the PLGIT account is subject to a one-day holding period.

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township does not have a formal investment policy for credit risk. The Township's deposits in the organization was rated "AAAm" by Standard & Poor's.

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. The investment policy related to pension fund investments is contained in the pension plan documents. Concentrations are defined as investments held by the Township, other than those issued or explicitly guaranteed by the U.S. Government, mutual funds, external investment pools and other pooled investments, in any one organization that represent 5% or more of the total investments of the pension trust funds. At December 31, 2019, there were no concentrations for the Township's total investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Township has no investment subject to custodial credit risk.

NOTE 3 - REAL ESTATE TAXES

Based on assessments provided by the county, real estate taxes are billed and collected by the tax collector. The Township's tax rate for the year ended December 31, 2019, was 2.20 mills (\$2.20 per \$1,000 of assessed valuation) as levied by the Township Board of Supervisors.

The schedule for real estate taxes levied each year is as follows:

February 1	Levy Date
February 1 - April 30	2% Discount Period
May 1 - June 30	Face Payment Period
July 1 - December 31	10% Penalty Period
January 1	Lien Date

NOTE 4 - DUE from/to OTHER FUNDS

Interfund balances are as follows as of December 31, 2019:

Assets		Liabilities	
General Fund	16,986	Sewer Fund	16,986
Capital Reserve Fund	68	General Fund	68

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 5 - GENERAL LONG-TERM DEBT

The Township issues general obligation debt to provide funds for major capital improvements. The Township has pledged its full faith, credit, and taxing power for the guarantee of the debt service on the general obligation notes.

A summary of changes in general obligation debt is as follows:

	Beginning Balance January 1	Additions	Reductions	Ending Balance December 31
2019				
General Obligation Bonds, Series of 2012	3,980,000		520,000	3,460,000
General Obligation Bonds, Series A of 2014	1,645,000		345,000	1,300,000
General Obligation Bonds, Series B of 2014	365,000		90,000	275,000
Compensated Absences	<u>474,538</u>	<u>98,403</u>	<u>27,111</u>	<u>545,830</u>
	6,464,538	98,403	982,111	5,580,830

	Interest Rates	Maturity Date	Callable Date	Amounts Due Within 1 Year
Series of 2012	2.75% to 3.30%	July 15, 2031	July 15, 2018	530,000
Series A of 2014	.60% to 2.375%	July 15, 2023	July 15, 2020	350,000
Series B of 2014	.25% to 2.25%	July 15, 2022	July 15, 2020	<u>90,000</u>
				970,000

Scheduled debt service requirements are:

	Principal	Interest	Total
2020	970,000	123,758	1,093,758
2021	985,000	104,358	1,089,358
2022	1,015,000	83,308	1,098,308
2023	795,000	59,096	854,096
2024	155,000	38,647	193,647
2025 - 2029	855,000	124,175	979,175
2030 - 2031	<u>260,000</u>	<u>11,055</u>	<u>271,055</u>
	5,035,000	544,397	5,579,397

The Township pays the long-term debt obligations from the sewer and general fund, respectively. The Township pays the long-term compensated absences obligations from the general fund.

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 6 - 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; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 7 - PENSION PLANS

The Township maintains a single employer defined benefit pension retirement plan for police (PPP) and non-uniformed (NEPP) employees covered by the provisions of Ordinance No. 95-262 adopted pursuant to Act 600. The Township has delegated the authority to manage plan assets to The Principal Life Insurance Company. The Plans are reported as Pension Trust Funds in the accompanying financial statements and stand-alone reports are not issued.

Summary of Significant Accounting Policies

Basis of Accounting

The plans' financial statements are prepared using the modified cash basis of accounting. Contributions to the plans are recognized in the period in which contributions are made. Benefits are recognized when paid.

Method Used to Value Investments

The Police and Non-uniformed Retirement Plans' unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits or administrative expenses charged by The Principal Life Insurance Company.

Plan Membership

Membership of each plan consisted of the following at January 1, 2019, for the PPP and the NEPP, the date of the latest actuarial valuation:

	PPP	NEPP
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, but not yet Receiving Them	12	24
Active Plan Participants	<u>16</u>	<u>14</u>
Total Plan Membership	28	38

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 7 - PENSION PLANS (Continued)

Benefits Provided

Following is a summary of the employee eligibility requirements and benefits under the Township's Police and Non-uniformed Retirement Plans:

	PPP	NEPP
Covered Employees	All full-time police persons who works at least 40 hours per week at a definite salary.	All non-uniformed employees join the plan after attainment of age 21.
Eligibility for Normal Retirement	Attained age 50 and completed 25 years of aggregate service.	Attained age 65.
Monthly Pension Benefit	Equal to 50% of the monthly average of an employee's total pay for the latest 36 months multiplied by the quotient of the number of completed months of service to date divided by completed months of service plus the number of months of service remaining to the normal retirement date.	Equal to 1.67% of average compensation multiplied by accrual service (maximum 25 years)
Vesting	100% on or subsequent to 12 years of service.	100% immediate.
Required Employee	1% of compensation as of May 2011; 3% of compensation as of January 1, 2012, 5% of compensation as of January 1, 2014.	Effective January 1, 2019, 4% of compensation for participants covered by the contract with the Teamsters Union, 5% of compensation for all other participants
Disability Benefit	Monthly income payable until normal retirement, death or recovery and a deferred annuity payable at the normal retirement date.	None.

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 7 - PENSION PLANS (Continued)

Benefits Provided (Continued)

	PPP	NEPP
Survivor Annuity	Monthly benefit payable to surviving spouse for life equal to 50% of the participant's accrued monthly retirement benefits at the time of the participant's death.	Monthly annuity payable to spouse, deferred to participant's earliest retirement date (age 55 and ten years service) if later than date of death. The amount paid is equal to what would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.
Death Benefit		
Cost-of-Living Adjustment	Adjustment to the retirement benefit related to the Consumer Price Index (up to 3.0% in such year) with an overall benefit limit of 130% of the normal retirement benefit.	None.

Funding Policy and Contributions

The Township's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The Entry Age Normal Cost Method is the actuarial cost method utilized to determine the annual minimum municipal contribution obligation for both plans. During 2019, the Township received a \$215,482 state allotment that was deposited into the Police Retirement Plan. In addition, employer and employee contributions to each plan for 2019, respectively, were \$179,672 and \$73,364 to the Police Retirement Plan and \$75,871 and \$29,779 to the Non-uniformed Retirement Plan.

Concentrations

Concentrations are defined as investments held by the Township, other than those issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments, in any one organization that represent 5% or more of the plan's fiduciary net position. At December 31, 2019, there was one concentration for the Township's pension investments - Principal Financial Group.

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 7 - PENSION PLANS (Continued)

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) 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 allocation percentage and by adding expected inflation.

NOTE 8 - COMBINING FIDUCIARY SCHEDULES

The Pension consists of two-sub funds: the police pension trust fund and the non-uniformed pension trust fund. Summary financial information for the sub-funds is presented as follows:

Combining Schedule of Fiduciary Net Position

	Non- Uniformed Employees' Pension Trust Fund	Police Pension Trust Fund	Total
ASSETS			
Investments	1,987,968	7,809,622	9,797,590
NET POSITION			
Restricted for Pension Benefits	1,987,968	7,809,622	9,797,590

Combining Schedule of Changes in Fiduciary Net Position

	Non- Uniformed Employees' Pension Trust Fund	Police Pension Trust Fund	Total
ADDITIONS			
Employer Contributions	66,894	158,467	225,361
Employee Contributions	32,468	78,142	110,610
Transfer from General Fund - State Aid		220,181	220,181
Investment Gain on Pension Funds	<u>312,991</u>	<u>1,204,812</u>	<u>1,517,803</u>
Total Additions	412,353	1,661,602	2,073,955

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 8 - COMBINING FIDUCIARY SCHEDULES (Continued)

	Non- Uniformed Employees' Pension Trust Fund	Police Pension Trust Fund	Total
DEDUCTIONS			
Retirement Distributions/Withdrawals	106,528	425,853	532,381
Administration Expenses	<u>17,900</u>	<u>20,796</u>	<u>38,696</u>
Total Deductions	124,428	446,649	571,077
Changes in Net Position	287,925	1,214,953	1,502,878
NET POSITION			
Beginning	<u>1,700,043</u>	<u>6,594,669</u>	<u>8,294,712</u>
Ending	1,987,968	7,809,622	9,797,590

NOTE 9 - DEFERRED COMPENSATION

The Township offers a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, to certain Township employees. The plan permits deferral of a portion of employee's salaries until future years. The deferred compensation is not available until termination, retirement, death or disability.

The Township funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investment funds managed by a third party administrator. Because the Township does not hold the plan assets in trust, administer the plan or give investment advice, the plan assets and related liabilities are not included in these financial statements.

NOTE 10 - FUND BALANCE CLASSIFICATIONS

At December 31, 2019, components of fund balance are as follows:

	General Fund	Highway Aid Fund	Capital Reserve Fund	Total Governmental Funds
Restricted for:				
Fire Hydrant Services	780,597			780,597
Construction Projects			4,023	4,023
Road Construction and Maintenance	<u> </u>	<u>649,173</u>	<u> </u>	<u>649,173</u>
Total Restricted	780,597	649,173	4,023	1,433,793
Unassigned	<u>2,664,134</u>	<u> </u>	<u>901,737</u>	<u>3,565,871</u>
	3,444,731	649,173	905,760	4,999,664

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - POSTEMPLOYMENT HEALTH CARE BENEFITS

Description

The Township maintains a single-employer defined benefit plan to provide postemployment healthcare benefits to Township Police employees hired prior to January 1, 2014. The Board of Supervisors is authorized to establish and amend the financing requirements and benefits, subject to the Uniform collective bargaining agreement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue stand-alone financial statements.

Benefits Provided

The Plan provides medical, dental, and vision coverage to eligible police retirees that were hired prior to January 1, 2014, during the first four years of retirement at no cost to them. It also provides coverage for their spouses and dependent children. The eligible police retirees and their spouses can continue coverage after the first four years by paying 100% of the cost. Police employees hired after January 1, 2014, are not eligible for benefits. The Township does not issue a separate financial report for the plan. The financial information for the plan is found within the governmental activities in the government - wide financial statement of the Township.

Funding Policy

The Township has elected to finance postemployment benefits on a pay-as-you-go basis. The Township recognizes expenditures for postemployment group insurance when paid by the Township. During the year ended December 31, 2019, the Township paid benefits and recognized expenditures in the amount of \$27,428. These financial statements assume that pay-as-you-go funding will continue.

Employees Covered by Benefit Terms

At January 1, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1
Other Active Employees Entitled to but not yet Receiving Benefits	11
Active Employees	<u>1</u>
	13

NOTE 12 - CONTINGENCIES and COMMITMENTS

General

Developers operating in the Township are required to obtain letters of credit, payment or insurance bonds or other escrow agreements to provide assurance that projects will be completed according to approved specifications and on a timely basis. Should one or more of these instruments expire and a default occur, it may be necessary for the Township to take over the defaulted project. Outstanding project guarantees at December 31, 2019 amounted to approximately \$3,896,503.

During the normal course of performing its duties for the general public which it serves, the Township is subject to various disputes, claims and lawsuits. It is management's opinion that any such actions would not have a material adverse effect on the financial position of the Township.

The Township is audited by the State's Department of the Auditor General. Findings, if any, from these audits could result in the repayment of funds or the receipt of additional funds.

Newberry Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 12 - CONTINGENCIES and COMMITMENTS (Continued)

The Township participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and review by the grantor agencies; therefore, any findings or adjustment by the grantor agencies could have an effect on the related grant revenues and expenditures.

The Township's collective bargaining agreement with its road crew expired December 31, 2019. A new agreement was signed December 16, 2019, for years 2020 through 2023.

The Township's collective bargaining agreement with Newberry Township Patrolman's Association expires December 31, 2020.

NOTE 13 - SEWER IMPROVEMENT AGREEMENTS

The Township has entered into two sewer improvement agreements with local developers dealing with the sewer facilities in two of the developments. A description of the agreements is as follows:

Newberrytown Sewer Interceptor

The developer agreed to design, develop, and construct all of the transmission lines and other facilities for the Newberrytown Sewer Interceptor (Project No. 204037). When the facilities were completed the developer was entitled to a reimbursement credit in the amount of \$200,000. The Township gave reduced tapping fees to the developer. In order for the Township to meet its debt service requirements, the developer agreed to purchase a minimum 15 sewer permits at the reduced rate each year. The developer filed for bankruptcy in 2011. Subsequently, the Township entered into a sewer agreement with Charter Homes at York, Inc. The new developer is entitled to a reimbursement credit in the amount of \$173,817, \$(200,000) less \$26,183 in reimbursement credits given to the prior developer). In order for the Township to meet its debt service requirements, the developer agreed to purchase a minimum 5 sewer permits each year. There were 13 permits worth \$24,297 in credits issued in 2019 leaving an overpayment due to the Township of \$9,345 as of December 31, 2019.

McNaughton Project/Influent Pumping Station (Township Project)

The developer agreed to install certain sewerage transmission facilities to be connected with existing and proposed sewerage facilities of the Township known as the "McNaughton Project" at the developers cost. The Township secured funding in the form of a municipal bond in the amount of \$1,600,000 to initially fund the project. Upon depletion of the Township funds the developer was responsible for funding the remaining costs up to a maximum of \$1,539,980. The developer was given a reimbursement credit in the amount of \$1,266,300 to be repaid with the reduced tapping fees. In addition, the developer will be paid a supplemental reimbursement and a management fee which will be supplemented by a special purpose component cost added to the tapping fee. There were 10 permits worth \$19,860 in credits issued in 2019 leaving a remaining credit balance of \$1,222,610 as of December 31, 2019.

Newberry Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 14 - INTERMUNICIPAL AGREEMENT

Goldsboro Municipal Authority has reserved capacity in the Township's municipal sewage treatment system under terms of an intermunicipal agreement. The Goldsboro Municipal Authority has reserved capacity for a specified number of gallons per day. The Goldsboro Municipal Authority is required to make quarterly payments which are based upon estimated wastewater flows and annual operations and maintenance costs. In addition, Goldsboro Municipal Authority pays flat yearly fees for the conveyance and administrative costs associated with sewage processing.

NOTE 15 - CHANGE in ACCOUNTING PRINCIPLE

In conjunction with the implementation of GASB Statement No. 84, the Township restated its beginning fund balance to reflect the change in presentation of the escrow fund. In prior years, the Township accounted for the escrow fund as an agency fund. In the current year, the fund is included with the general fund as it no longer meets the definition of a fiduciary activity.

Additionally, in conjunction with Township Supervisor's decision to combine refuse fund into general fund during 2019 since the billing and collection of refuse is completed by the third-party refuse company, the Township restated its beginning fund balance to reflect the change in presentation of the refuse fund. In prior years, the Township accounted for the refuse fund as a proprietary fund. In the current year, the fund is included in the general fund as it no longer met the definition of a proprietary fund. Accordingly, net position as of January 1, 2019, has been restated as follows:

	Business- Type Activities	Governmental Activities
Fund Balance and Net Position as Previously Reported on December 31, 2018	6,331,520	4,778,490
Effect of Change in Accounting Principle	<u>(129,986)</u>	<u>129,986</u>
Fund Balance and Net Position as Restated, January 1, 2019	6,201,534	4,908,476

NOTE 16 - SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The Township anticipates that its operations may be impacted by the COVID-19 event but cannot currently estimate the impact on its financial condition. Township Management is monitoring the evolving situation and adapting operations and decision making as necessary.

Newberry Township

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL - GENERAL FUND - Modified Cash Basis
Year Ended December 31, 2019

	Actual Amounts	Budgeted Amounts Original and Final	Variance with Final Budget Favorable (Unfavorable)
REVENUES			
Taxes	\$ 4,500,037	\$ 4,282,000	\$ 218,037
Licenses, Permits, and Fees	208,663	220,000	(11,337)
Fines and Forfeits	101,595	90,000	11,595
Interest and Rents	23,419	4,800	18,619
Intergovernmental Revenue	498,741	724,200	(225,459)
Charges for Services	430,819	380,165	50,654
Miscellaneous Revenue	<u>35,659</u>	<u>5,000</u>	<u>30,659</u>
Total Revenues	5,798,933	5,706,165	92,768
EXPENDITURES			
General Government	515,507	394,515	(120,992)
Public Safety	2,594,149	2,594,550	401
Public Works - Highways	702,889	778,500	75,611
Public Works - Other	150,445	480,000	329,555
Culture and Recreation	36,068	45,000	8,932
Debt Service	94,895	98,100	3,205
Pension and Other Benefits	<u>1,439,162</u>	<u>1,634,900</u>	<u>195,738</u>
Total Expenditures	<u>5,533,115</u>	<u>6,025,565</u>	<u>492,450</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	265,818	(319,400)	585,218
OTHER FINANCING SOURCES			
Refund Prior Year Expenditures	-0-	25,000	(25,000)
Proceeds of Fixed Assets	-0-	2,500	(2,500)
Transfer In	<u>-0-</u>	<u>40,000</u>	<u>(40,000)</u>
Net Other Financing Sources	<u>-0-</u>	<u>67,500</u>	<u>(67,500)</u>
NET CHANGES in FUND BALANCES	<u>\$ 265,818</u>	<u>\$ (251,900)</u>	<u>\$ 517,718</u>

See independent auditors' report.

Newberry Township

CONCISE STATEMENT for PUBLICATION - Modified Cash Basis

Year Ended 2019

GOVERNMENT-WIDE and FIDUCIARY FUND FINANCIAL INFORMATION

	Government- Wide	Fuduciary Fund
Total Assets	\$ 11,995,977	\$ 9,797,590
Total Liabilities	<u>278,050</u>	<u>-0-</u>
Total Net Position	<u>11,717,927</u>	<u>9,797,590</u>
Total Revenue	9,034,472	2,073,955
Total Expenses	<u>8,426,555</u>	<u>571,077</u>
Changes in Total Net Position	<u>\$ 607,917</u>	<u>\$ 1,502,878</u>

See independent auditors' report.

Newberry Township
 SCHEDULE of FUNDING PROGRESS - PENSION PLANS
 (Unaudited)

Police Pension Plan

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL As A % Of Payroll [(2)-(1)]/5
2009	3,321,958	4,529,976	1,208,018	73.33	1,187,030	101.77%
2011	3,982,799	5,211,496	1,228,697	76.42	1,252,806	98.08
2013	4,370,233	5,946,811	1,576,578	73.49	1,287,123	122.49
2015	5,561,810	6,984,720	1,422,910	79.63	1,149,991	123.73
2017	6,416,881	7,748,692	1,331,811	82.81	1,379,109	96.57
2019	7,185,863	8,731,354	1,545,491	82.30	1,505,266	102.67

Non-uniformed Employees' Pension Plan

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL As A % Of Payroll [(2)-(1)]/5
2009	1,002,048	1,195,006	192,958	83.85	785,540	24.56%
2011	1,175,303	1,403,865	228,562	83.72	878,741	26.01
2013	1,260,483	1,523,001	262,518	82.76	651,800	40.28
2015	1,513,455	1,813,258	299,803	83.47	576,004	52.05
2017	1,688,302	1,934,349	246,047	87.28	662,225	37.16
2019	1,877,417	2,124,662	247,245	88.36	723,811	34.16

The schedule above is presented in accordance with Act 205 requirements.

See independent auditors' report.

Newberry Township
SCHEDULE of CHANGES in NET PENSION LIABILITY
and RELATED RATIOS - POLICE RETIREMENT PLAN
LAST 10 FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Pension Liability						
Service cost	\$ 266,567	\$ 254,704	\$ 243,154	\$ 210,248	\$ 200,714	\$ 200,071
Interest	680,837	640,733	607,721	579,409	544,694	521,554
Changes of Benefit Terms	-0-	-0-	-0-	-0-	-0-	-0-
Differences Between Expected and Actual Experience	109,300	-0-	(172,400)	-0-	(214,963)	-0-
Changes of Assumptions	-0-	-0-	15,332	-0-	272,621	-0-
Benefit Payments, Including Refunds of Member Contributions	<u>(425,853)</u>	<u>(572,391)</u>	<u>(300,559)</u>	<u>(299,778)</u>	<u>(314,247)</u>	<u>(227,846)</u>
Net Change in Pension Liability	630,851	323,046	393,248	489,879	488,819	493,779
Pension Liability, Beginning	<u>8,622,054</u>	<u>8,299,008</u>	<u>7,905,760</u>	<u>7,415,881</u>	<u>6,927,062</u>	<u>6,433,283</u>
Pension Liability, Ending	9,252,905	8,622,054	8,299,008	7,905,760	7,415,881	6,927,062
Plan Fiduciary Net Position						
Contributions - Employer	225,361	245,254	217,679	179,299	120,911	111,743
Contributions - State Aid	153,287	149,900	132,883	166,236	156,833	170,398
Contributions - Member	78,142	73,364	69,531	68,009	63,254	65,083
Net Investment Income	1,189,816	(336,756)	909,640	304,995	(54,645)	283,501
Benefit Payments, Including Refunds of Member Contributions	<u>(425,853)</u>	<u>(572,391)</u>	<u>(300,559)</u>	<u>(299,778)</u>	<u>(314,247)</u>	<u>(227,846)</u>
Administrative Expense	<u>(5,800)</u>	<u>(5,995)</u>	<u>(5,915)</u>	<u>(5,915)</u>	<u>(7,165)</u>	<u>(4,625)</u>
Net Change in Plan Fiduciary Net Position	1,214,953	(446,624)	1,023,259	412,846	(35,059)	398,254
Plan Fiduciary Net Position, Beginning	<u>6,594,669</u>	<u>7,041,293</u>	<u>6,018,034</u>	<u>5,605,188</u>	<u>5,640,247</u>	<u>5,241,993</u>
Plan Fiduciary Net Position, Ending	<u>7,809,622</u>	<u>6,594,669</u>	<u>7,041,293</u>	<u>6,018,034</u>	<u>5,605,188</u>	<u>5,640,247</u>
Net Pension Liability	<u>\$1,443,283</u>	<u>\$2,027,385</u>	<u>\$1,257,715</u>	<u>\$1,887,726</u>	<u>\$1,810,693</u>	<u>\$1,286,815</u>
Plan Fiduciary Net Position as a Percentage of the Pension Liability	84.4%	76.5%	84.8%	76.1%	75.6%	81.4%
Covered Employee Payroll	1,474,510	1,387,450	1,334,855	1,294,477	1,318,495	1,363,366
Net Pension Liability as a Percentage of Covered Employee Payroll	97.9%	146.1%	94.2%	145.8%	137.3%	94.4%

Notes to Schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 table to the RP-2000 table projected to 2015 using Scale AA, the interest rate assumption was lowered from 8% to 7.75% per annum, and the salary scale assumption was lowered from 5% to 4.75% per annum. In 2017, the mortality assumption was changed to the RP-2000 Table projected to 2017 using Scale AA.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See independent auditors' report.

Newberry Township
 SCHEDULE of CHANGES in NET PENSION LIABILITY
 and RELATED RATIOS - NON-UNIFORMED RETIREMENT PLAN
 LAST 10 FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Pension Liability						
Service Cost	\$ 61,276	\$ 55,194	\$ 52,691	\$ 43,579	\$ 41,603	\$ 42,631
Interest	165,282	160,040	150,849	149,346	140,711	130,926
Changes of Benefit Terms	-0-	-0-	-0-	-0-	-0-	-0-
Differences Between Expected and Actual Experience	(53,556)	-0-	(114,205)	-0-	(42)	-0-
Changes of Assumptions	-0-	-0-	5,796	-0-	82,710	-0-
Benefit Payments, Including Refunds of Member Contributions	<u>(106,528)</u>	<u>(93,698)</u>	<u>(81,207)</u>	<u>(67,261)</u>	<u>(78,478)</u>	<u>(73,827)</u>
Net Change in Pension Liability	66,474	121,536	13,924	125,664	186,504	99,730
Pension Liability, Beginning	<u>2,178,218</u>	<u>2,056,682</u>	<u>2,042,758</u>	<u>1,917,094</u>	<u>1,730,590</u>	<u>1,630,860</u>
Pension Liability, Ending	2,244,692	2,178,218	2,056,682	2,042,758	1,917,094	1,730,590
Plan Fiduciary Net Position						
Contributions - Employer	-0-	10,290	-0-	64,446	49,811	53,151
Contributions - State Aid	66,894	65,581	64,412	-0-	-0-	-0-
Contributions - Member	32,468	29,779	28,676	22,197	20,787	19,334
Net Investment Income	300,591	(105,585)	227,919	73,851	(25,242)	67,779
Benefit Payments, Including Refunds of Member Contributions	(106,528)	(93,698)	(81,207)	(67,261)	(78,478)	(73,827)
Administrative Expense	<u>(5,500)</u>	<u>(5,875)</u>	<u>(5,875)</u>	<u>(5,875)</u>	<u>(5,915)</u>	<u>(5,875)</u>
Net Change in Plan Fiduciary Net Position	287,925	(99,508)	233,925	87,358	(39,037)	60,562
Plan Fiduciary Net Position, Beginning	<u>1,700,043</u>	<u>1,799,551</u>	<u>1,565,626</u>	<u>1,478,268</u>	<u>1,517,305</u>	<u>1,456,743</u>
Plan Fiduciary Net Position, Ending	<u>1,987,968</u>	<u>1,700,043</u>	<u>1,799,551</u>	<u>1,565,626</u>	<u>1,478,268</u>	<u>1,517,305</u>
Net Pension Liability	<u>\$ 256,724</u>	<u>\$ 478,175</u>	<u>\$ 257,131</u>	<u>\$ 477,132</u>	<u>\$ 438,826</u>	<u>\$ 213,285</u>
Plan Fiduciary Net Position as a Percentage of the Pension Liability	88.6%	78.0%	87.5%	76.6%	77.1%	87.7%
Covered Employee Payroll	745,738	721,869	639,696	593,370	552,649	644,294
Net Pension Liability as a Percentage of Covered Employee Payroll	34.4%	66.2%	40.2%	80.4%	79.4%	33.1%

Notes to Schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 table to the RP-2000 table projected to 2015 using Scale AA, the interest rate assumption was lowered from 8% to 7.75% per annum, and the salary scale assumption was lowered from 5% to 4.75% per annum. In 2017, the mortality assumption was changed to the RP-2000 Table projected to 2017 using Scale AA.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See independent auditors' report.

Newberry Township
 SCHEDULE of TOWNSHIP PLAN INVESTMENT RETURNS - PENSION PLANS
 LAST 10 FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Police Retirement Plan						
Annual Money-Weighted Rate of Return, Net of Investment Expenses	18.44%	-4.93%	15.30%	5.52%	-0.98%	5.46%
Non-Uniformed Retirement Plan						
Annual Money-Weighted Rate of Return, Net of Investment Expenses	18.10%	-5.95%	14.81%	5.10%	-1.68%	4.76%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See independent auditors' report.

Newberry Township

SCHEDULE of CHANGES in NET OPEB LIABILITY and RELATED RATIOS - POLICE HEALTH and WELFARE PLAN LAST 10 FISCAL YEARS

	2019	2018
OPEB Liability		
Service Cost	\$ 73,193	\$ 69,874
Interest	39,489	37,693
Changes of Benefit Terms	-0-	-0-
Differences Between Expected and Actual Experience	-0-	-0-
Changes of Assumptions and Cost Method	-0-	-0-
Benefit Payments	<u>(63,233)</u>	<u>(55,914)</u>
Net Change in OPEB Liability	49,449	51,653
 OPEB Liability, Beginning	 <u>1,086,678</u>	 <u>1,035,025</u>
 OPEB Liability, Ending	 1,136,127	 1,086,678
 Plan Fiduciary Net Position		
Contributions - Employer	63,233	55,914
Contributions - Other	-0-	-0-
Net Investment Income	-0-	-0-
Benefit Payments, Including Refunds of Member Contributions	(63,233)	(55,914)
Administrative Expense	<u>-0-</u>	<u>-0-</u>
Net Change in Plan Fiduciary Net Position	-0-	-0-
 Plan Fiduciary Net Position, Beginning	 <u>-0-</u>	 <u>-0-</u>
 Plan Fiduciary Net Position, Ending	 <u>-0-</u>	 <u>-0-</u>
 Net OPEB Liability	 <u>\$ 1,136,127</u>	 <u>\$ 1,086,678</u>
 Plan Fiduciary Net Position as a Percentage of the OPEB Liability	 0.0%	 0.0%
 Covered Employee Payroll	 1,159,066	 1,106,507
 Net OPEB Liability as a Percentage of Covered Police Employee Payroll	 98.0%	 98.2%

Note to Schedules:

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See independent auditors' report.