

NEWBERRY TOWNSHIP

YORK COUNTY, PENNSYLVANIA

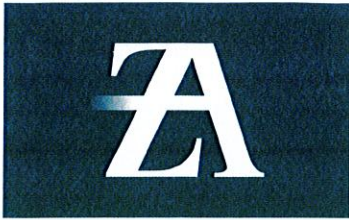
FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

**NEWBERRY TOWNSHIP, PENNSYLVANIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Newberry Township
York County, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newberry Township (the "Township"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 The Township as of December 31, 2021, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

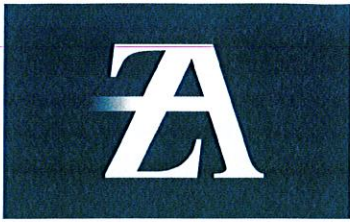
Emphasis of Matter — Basis of Accounting

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.

Responsibilities of Management for the Financial Statements

The Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, as described in Note 1, and for 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 from material misstatement, whether due to fraud or error.

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



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Board of Supervisors
Newberry Township
York County, Pennsylvania

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

Adoption of Governmental Accounting Standards Board Pronouncements

As discussed in Note 1 to the financial statements in 2021 the Township adopted the provisions of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Statement No. 98, "The Annual Comprehensive Financial Report", and partially implemented GASB Statement No. 99, "Omnibus 2022", the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63.



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Board of Supervisors
Newberry Township
York County, Pennsylvania

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund – modified cash basis, the schedule of changes in the net pension liability and related ratios police pension, schedule of employer contributions – police pension, schedule of investment returns – non-uniform and police pensions, schedule of changes in the net pension liability and related ratios – non-uniformed employee pension, schedule of employer contributions – non-uniformed pension, and schedule of changes in the net OPEB liability and related ratios on pages 42-48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining pension trust statements – modified cash basis on pages 50-51 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOSFKE AXELROD LLC

Harrisburg, Pennsylvania
August 1, 2022

NEWBERRY TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 4,300,859	\$ 6,971,747	\$ 11,272,606
Investments	421,906	1,130,718	1,552,624
Restricted cash and cash equivalents	1,232,636	-	1,232,636
Restricted investments	833,232	-	833,232
Internal Balances	194	(194)	-
Total current assets	<u>6,788,827</u>	<u>8,102,271</u>	<u>14,891,098</u>
Liabilities:			
Escrow Deposits	\$ 277,637	\$ 11,939	\$ 289,576
Due to Developers (net)	-	920	920
Total liabilities	<u>277,637</u>	<u>12,859</u>	<u>290,496</u>
Net position:			
Restricted for:			
Fire hydrant service	907,926	-	907,926
Road construction and maintenance	421,906	-	421,906
Capital projects	801,164	-	801,164
ARPA	833,232	-	833,232
Unrestricted	3,546,962	8,089,412	11,636,374
Total net position	<u>\$ 6,511,190</u>	<u>\$ 8,089,412</u>	<u>\$ 14,600,602</u>

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Government activities:						
General government	\$ 766,359	\$ 502,057	\$ 902,039	\$ 637,737	\$ -	\$ 637,737
Public safety	2,289,220	143,994	304,230	(1,840,996)	-	(1,840,996)
Public works:						
Highway	1,238,074	100,608	549,338	(588,128)	-	(588,128)
Other	160,674	274,026	-	113,352	-	113,352
Culture and recreation	135,717	-	-	(135,717)	-	(135,717)
Debt service	88,950	-	-	(88,950)	-	(88,950)
Benefits, insurance, and taxes	1,971,139	-	-	(1,971,139)	-	(1,971,139)
Total government activities	\$ 6,650,133	\$ 1,020,685	\$ 1,755,607	(3,873,841)	-	(3,873,841)
Business-type activities, sewer operations	\$ 2,051,764	\$ 2,747,693	-	-	695,929	695,929

General revenues:

Taxes:

Real estate	2,100,758	-	2,100,758
Real estate transfer	355,020	-	355,020
Earned income	2,268,885	-	2,268,885
Local service	171,266	-	171,266
Cable TV franchise tax	182,589	-	182,589
Investment income:			
Interest income	8,807	3,712	12,519
Gain on Sale of Asset	22,400	11,867	34,267
Donations	11,600	-	11,600
Refund of prior year expenditures	88,508	-	88,508
Miscellaneous	26,574	-	26,574
Total general revenues	5,236,407	15,579	5,251,986

Change in net position

Net position - beginning 7,377,904

Net position - ending \$ 6,511,190

Net position - ending \$ 8,089,412

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2021

	General Fund	Highway Aid Fund	Capital Reserve Fund	ARPA Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 3,499,695	\$ -	\$ 801,164	\$ -	\$ 4,300,859
Investments	-	421,906	-	-	421,906
Due from other funds	194	-	-	-	194
Restricted cash	1,232,636	-	-	-	1,232,636
Restricted investments	-	-	-	833,232	833,232
Total assets	\$ 4,732,525	\$ 421,906	\$ 801,164	\$ 833,232	\$ 6,788,827
Liabilities:					
Escrow payable	\$ 277,637	\$ -	\$ -	\$ -	\$ 277,637
Total liabilities	277,637	-	-	-	277,637
Fund balances:					
Restricted:					
Fire hydrant service	907,926	-	-	-	907,926
Road construction and maintenance	-	421,906	-	-	421,906
Capital projects	-	-	801,164	-	801,164
ARPA	-	-	-	833,232	833,232
Unassigned	3,546,962	-	-	-	3,546,962
Total fund balances	4,454,888	421,906	801,164	833,232	6,511,190
Total liabilities and fund balances	\$ 4,732,525	\$ 421,906	\$ 801,164	\$ 833,232	\$ 6,788,827

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Highway Aid Fund	Capital Reserve Fund	ARPA Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 5,078,518	\$ -	\$ -	\$ -	5,078,518
License, fees, and permits	495,237	-	-	-	495,237
Fines and forfeits	102,160	-	-	-	102,160
Interest and rents	7,960	87	2,790	170	11,007
Intergovernmental	373,207	549,338	-	833,062	1,755,607
Charges for services	395,238	-	25,850	-	421,088
Donations	11,600	-	-	-	11,600
Miscellaneous	17,350	-	9,224	-	26,574
Total revenues	6,481,270	549,425	37,864	833,232	7,901,791
Expenditures:					
Current operations:					
General government	766,359	-	-	-	766,359
Public safety	2,289,220	-	-	-	2,289,220
Public works:					
Highway	596,739	641,335	-	-	1,238,074
Other	147,460	13,214	-	-	160,674
Culture and recreation	30,932	-	104,785	-	135,717
Debt service:					
Principal	85,000	-	-	-	85,000
Interest	3,950	-	-	-	3,950
Pension and other benefits	1,971,139	-	-	-	1,971,139
Total expenditures	5,890,799	654,549	104,785	-	6,650,133
Revenues over (under) expenditures	590,471	(105,124)	(66,921)	833,232	1,251,658
Other financing sources (uses):					
Refund prior year expenditures	88,508	-	-	-	88,508
Proceeds from fixed assets	22,400	-	-	-	22,400
Transfers in	43,116	-	-	-	43,116
Transfers out	-	-	(43,116)	-	(43,116)
Total other financing sources (uses)	154,024	-	(43,116)	-	110,908
Net changes in fund balances	744,495	(105,124)	(110,037)	833,232	1,362,566
Fund balances:					
Beginning of year	3,710,393	527,030	911,201	-	5,148,624
End of year	\$ 4,454,888	\$ 421,906	\$ 801,164	\$ 833,232	\$ 6,511,190

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2021

	Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,971,747
Investments	1,130,718
Total current assets	\$ 8,102,465
Liabilities:	
Escrow deposits	\$ 11,939
Due to other funds	194
Due to developers (net)	920
Total liabilities	13,053
Net position:	
Unrestricted	8,089,412
Total net position	\$ 8,089,412

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
 STATEMENT OF REVENUES EXPENSES, AND CHANGE IN NET POSITION - PROPRIETARY FUNDS
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Sewer Fund
Operating revenues:	
Charges for services	\$ 2,747,693
Operating Expense:	
Salaries	193,737
Payroll taxes	18,922
Employee benefits	163,854
Insurance	35,940
Materials and supplies	9,212
Office expenses	95,014
Utilities - plant electric	84,007
Repairs and maintenance	96,601
Vehicle expenses	14,449
Chemicals	27,004
Pump station maintenance	32,693
Sludge removal	206,227
Contracted services	32,305
Professional services	41,240
Miscellaneous expenditures	150
Total operating expenses	1,051,355
Operating Income	1,696,338
Nonoperating Income/(Expense):	
Interest income	3,712
Proceeds on sale of capital assets	11,867
Debt service:	
Principal	(900,000)
Interest	(100,409)
Net Nonoperating Income/(Expense)	(984,830)
Net position:	
Beginning	7,377,904
Ending	\$ 8,089,412

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Sewer Fund
Cash flows from operating activities:	
Receipts from charges for service	\$ 2,747,693
Payment to employees	(412,453)
Payment to suppliers	(484,319)
Payments for supplies	(118,675)
Net cash provided by operating activities	1,732,246
Cash flows from investing activities:	
Investment income	1,028
Net cash provided by investing activities	1,028
Cash flows from capital and related financing activities:	
Sale of capital assets	11,867
Principal payments	(900,000)
Interest payments	(100,409)
Net cash used in capital and related financing activities	(988,542)
Net decrease in cash and cash equivalents	744,732
Cash and cash equivalents - beginning of period	6,254,169
Cash and cash equivalents - end of period	\$ 6,998,901
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,696,338
Adjustments to reconcile operating income to net cash provided by operating activities:	
Escrow deposits	8,602
Due to other funds	152
Net cash provided by operating activities	\$ 1,705,092

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2021

	<u>Pension Trust Funds</u>
Assets:	
Investments:	
Fixed income mutual funds	\$ 4,589,541
Equity mutual funds	6,713,479
Other Assets	774,310
Accrued Income	<u>898</u>
 Total assets	 <u>12,078,228</u>
 Net position:	
Net position restricted for pensions	<u>\$ 12,078,228</u>

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Pension Trust Funds
Additions:	
Contributions:	
Employer - state aid	\$ 230,270
Employer - other	269,938
Employees	125,521
Total contributions	625,729
Investment income:	
Net appreciation in fair value of investments	1,127,611
Total investment earnings	1,127,611
Less investment expenses	26,170
Net investment earnings	1,101,441
Total additions	1,727,170
Deductions:	
Benefit payments	592,182
Administrative expenses	12,250
Total deductions	604,432
Changes in net position	1,122,738
Net position - beginning	10,955,490
Net position - ending	\$ 12,078,228

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newberry Township (the Township) was incorporated in 1742. 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:

A) 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 is 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 approve of the Township.

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Jointly Governed Organizations

Cumberland County Tax Collection Bureau

The Cumberland County Tax Bureau, a Division of the Cumberland County Tax Collection Committee, collects the local Earned Income and Local Service 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 \$36,170 for 2021, 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 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 \$10,790 for 2021, 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.

C) 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.

D) 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.

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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) 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.

F) 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.

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.

G) 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.

H) 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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) 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
 ARPA Fund

Proprietary Fund:
 Sewer Fund

Nonmajor:
 None

J) 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, local service 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. The financial statements are modified from the cash basis to include investments recorded at fair value, escrow deposits, and amounts due to developers.

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.

K) 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 2021 was proposed on November 12, 2020, with final adoption on December 21, 2020. 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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L) 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.

M) 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.

N) 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 computer based on square yards of the planned road cut.

O) Observable Deposits

Developers are required to pay in advance \$700 for smaller projects or 2% of their bonded project costs for larger project with the Township to pay for engineering and review fees. If costs go over the advanced payments, the Township bills developers for additional funds. The Township then transfers these funds from the deposit account of the developer as reimbursement of costs incurred. The amount outstanding at December 31, 2021, 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.

P) 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.

Q) 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 leave to a maximum of 1600 hours under their collective bargaining agreement. 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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R) 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 government 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, deferred outflows and inflows of resources, or related expenses. The Township made all required contributions for the year ended December 31, 2021 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively. See Note 7 and 8 for additional information related to pensions.

S) Other Postemployment Benefits (OPEB)

The Township's other post-employment benefits offered to Police employees and retirees with 20 years of service credit and hired prior to January 1, 2021, is a single-employer defined plan for the benefits other than pension which is controlled by a collectively bargained agreement between the Township and Newberry Township Patrolman's Association most recently revised February 4, 2021. 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 and deferred outflows and inflows of resources related to OPEB. The Township records benefit payments when they are paid. The single-employer OPEB plan is unfunded. See Note 11 for additional information related to OPEB.

T) Fund Balance Classification

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

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 charged only with the consent of the resource providers.

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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T) Fund Balance Classification (Continued)

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.

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Restricted Net Position includes amounts for which external restrictions have been 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 represents net position of the Township, not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is Township's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes. The Township has not established a formal policy for its use of unrestricted fund balance amounts.

U) 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.

V) 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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W) Adoption of Governmental Accounting Standards Board Statements

The Township adopted the provisions of GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*", GASB Statement No. 98, "*The Annual Comprehensive Financial Report*", and partially implemented GASB Statement No. 99, "*Omnibus 2022*", the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63.

The adoption of these GASB Statements did not result in modification of previously reported amounts.

X) Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, "*Leases*." The Township is required to adopt statement No. 87 for its calendar year 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*." The Township is required to adopt Statement No. 91 for its calendar year 2022 financial statements

In January 2020, the GASB issued Statement No. 92, "*Omnibus 2020*." The Township is required to adopt Statement No. 92 for its calendar year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*." The Township is required to adopt Statement No. 93 for its fiscal year 2022 financial statements, except for the requirements of paragraphs 11b, 13, and 14, which are effective for its calendar year 2023 financial statements

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*." The Township is required to adopt Statement No. 94 for its calendar year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*." The Township is required to adopt Statement No. 96 for its calendar year 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*." The Township is required to adopt requirements related to leases, PPPs, and SBITAs of Statement No. 99 for its calendar year 2023 financial statements and requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 of Statement No. 99 for its calendar year 2024 financial statements.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*." The Township is required to adopt Statement No. 100 for its calendar year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*." The Township is required to adopt Statement No. 101 for its calendar year 2024 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, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – CASH AND 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, 2021, the Township's deposits totaled \$12,505,242 and the bank balances totaled \$12,864,068. Of the bank balances, \$750,000 was covered by federal depository insurance and \$12,114,068 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.

Restricted cash of \$1,232,636 in the General Fund at December 31, 2021 represent unexpended Fire Hydrant Tax monies.

Investments

As of December 31, 2021, the Township had the following debt investments and maturities within its Governmental and Proprietary accounts:

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Bonds	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Total	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2021, the Township had the following debt investments and maturities within its retirement plan accounts:

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Fixed income mutual funds	\$ 6,713,479	\$ -	\$ -	\$ 6,713,479	\$ -
Total	<u>\$ 6,713,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,713,479</u>	<u>\$ -</u>

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Investments are measured at fair value on a recurring basis. 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 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.

Governmental and Proprietary investments' fair value measurements as are follows at December 31, 2021:

	<u>12/31/2021</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Money Market	\$ 1,090,718	\$ -	\$ 1,090,718	\$ -
Bonds	40,000	40,000	-	-
Total Investments by fair value	<u>1,130,718</u>	<u>\$ 40,000</u>	<u>\$ 1,090,718</u>	<u>\$ -</u>
External Investment Pools	<u>1,255,138</u>			
Total Investments	<u>\$ 2,385,856</u>			

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Pension investments' fair value measurements as are follows at December 31, 2021

	<u>12/31/2021</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Debt Securities:				
Fixed Income Mutual Funds	\$ 4,589,541	\$ 4,589,541	\$ -	\$ -
Total Debt Securities	<u>4,589,541</u>	<u>4,589,541</u>	<u>-</u>	<u>-</u>
Equity Securities:				
Equity Mutual Funds	6,713,479	6,713,479	-	-
Other Assets	<u>774,310</u>	<u>774,310</u>	<u>-</u>	<u>-</u>
Total Equity Securities	<u>7,487,789</u>	<u>7,487,789</u>	<u>-</u>	<u>-</u>
Total Investments by fair value	<u>12,077,330</u>	<u>\$ 12,077,330</u>	<u>\$ -</u>	<u>\$ -</u>
Accrued Income	<u>898</u>			
Total Investments	<u>\$ 12,078,228</u>			

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 PLGIT was rated "AAAm" by Standard & Poor's. As of December 31, 2021 100% of the Township's investments in Bonds were rated AA by Standard & Poor's. As of December 31, 2021, 21% and 79% of the Township's Fixed Income Mutual Funds were rated AA and A, respectively by Standard and Poor's.

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, 2021, 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 even 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. At December 31, 2021, the Township has no investment subject to custodial credit risk.

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Restricted Investments

Restricted investments in the ARPA fund at December 31, 2021 represent unexpended ARPA funds of \$833,232.

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, 2021, was 2.40 mills (\$2.40 per \$1,000 of assessed valuation) as levied by the Township Board of Supervisors.

The scheduled 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 – INTERFUND ACCOUNTS

Interfund balances are as follows as of December 31, 2021:

	Due From	Due To
General Fund	\$ 194	\$ -
Sewer	-	194
	<u>\$ 194</u>	<u>\$ 194</u>

Interfund transfers for the year ended December 31, 2021, were made from capital reserve fund to general fund in the amount of \$43,116 to reimburse general fund for expenses.

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. All of the Township's general obligation bonds were offered for public sale.

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

	Beginning Balance January 1, 2021	Additions	Deletions	Ending Balance December 31, 2021	Due Within One Year
GOB Series B 2014	\$ 185,000	\$ -	\$ 85,000	\$ 100,000	\$ 100,000
Compensated Absences	554,791	126,678	-	681,469	-
	<u>\$ 739,791</u>	<u>\$ 126,678</u>	<u>\$ 85,000</u>	<u>\$ 781,469</u>	<u>\$ 100,000</u>

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – GENERAL LONG-TERM DEBT (CONTINUED)

Scheduled Governmental debt service requirements are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 100,000	\$ 2,250	\$ 102,250
Total	<u>\$ 100,000</u>	<u>\$ 2,250</u>	<u>\$ 102,250</u>

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

	<u>Beginning Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance December 31, 2021</u>	<u>Due Within One Year</u>
GOB 2012	\$ 2,930,000	\$ -	\$ 540,000	\$ 2,390,000	\$ 550,000
GOB Series A 2014	950,000	-	360,000	590,000	365,000
	<u>\$ 3,880,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 2,980,000</u>	<u>\$ 915,000</u>

Scheduled Business-Type debt service requirements are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 915,000	\$ 81,058	\$ 996,058
2023	795,000	59,096	854,096
2024	155,000	38,647	193,647
2025	160,000	34,385	194,385
2026	160,000	29,985	189,985
2027-2031	<u>795,000</u>	<u>70,860</u>	<u>865,860</u>
Total	<u>\$2,980,000</u>	<u>\$ 314,031</u>	<u>\$3,294,031</u>

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.

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 – POLICE PENSION PLAN

The Township maintains a single employer defined benefit pension retirement plan for police employees covered by the provisions of Ordinance No. 95-262 adopted pursuant to Act 600. Authority of the Plan falls with the Township's Pension Board. 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. Investments of the plan are reported at fair value.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – POLICE PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies

Basis of Accounting

The plans' financial statements are prepared using the modified accrual 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 Retirement Plan's 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 to The Principal Life Insurance Company.

Benefits Provided

Following is a summary of the employee eligibility requirements and benefits under the Township's Police Retirement Plan:

Covered Employees	All full-time police persons who works at least 40 hours per week at a definite salary.
Eligibility for Normal Retirement	Attained age 50 and completed 25 years of aggregate service.
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 month of service to date divided by completed months of service remaining to the normal retirement date.
Vesting	100% on or subsequent to 12 years of service.
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.
Disability Benefit	Monthly income payable until normal retirement, death or recovery and a deferred annuity payable at the normal retirement date.
Survivor Annuity Death Benefit	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
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.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – POLICE PENSION PLAN (CONTINUED)

Plan Membership

Membership of each plan consisted of the following at January 1, 2021, for the Police Retirement Pension Plan, the date of the latest actuarial valuation:

	PPP
Retirees and Beneficiaries currently receiving benefits	12
Terminated Employees entitled to benefits, but not yet receiving them	-
Active plan participants	17
Total Plan Membership	29

Pension Plan Investments

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The following is the plans target asset allocation:

Asset Class	Target Allocation
Domestic Equity	
Large Cap	32%
Mid Cap	4%
Small Cap	2%
International Equity	18%
Fixed Income	38%
Real Estate	6%
Cash	0%

For the year ended December 31, 2021, the annual money-weighted rate of return on the Police Retirement pension plan investments, net of pension plan investment expense, was 10.27 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Funding Policy and Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute 5% of compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. The state aid, employee, and Township contributions totaled \$509,653 for the year ended December 31, 2021.

Normally, administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – POLICE PENSION PLAN (CONTINUED)

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 represents 5% or more of the plan's fiduciary net position. At December 31, 2021, there was one concentration for the Township's pension. All pension assets are invested in pooled separate accounts through an annuity contract with Principal Finance Group.

Net Pension Liability

The components of the net pension liability of the Police Retirement plan as of December 31, 2021 were as follows:

Total Pension Liability	\$ 10,299,119
Plan Fiduciary Net Position	<u>9,752,545</u>
Net Pension Liability	\$ 546,574
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.7%

Changes in the Township's net pension liability for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2020	\$ 9,822,091	\$ 8,789,642	\$ 1,032,449
Changes for the year:			
Service cost	295,054	-	295,054
Interest	756,228	-	756,228
Changes of assumptions	136,097	-	136,097
Differences between expected and actual experience	(280,578)	-	(280,578)
Contributions - employer	-	269,938	(269,938)
Contributions - member	-	155,533	(155,533)
Contributions - state aid	-	84,182	(84,182)
Net investment income	-	888,898	(888,898)
Benefit payments, including refunds of employee contributions	(429,733)	(429,733)	-
Administrative expense	-	(5,875)	5,875
Net changes	<u>477,068</u>	<u>962,943</u>	<u>(485,875)</u>
Balances at 12/31/2021	<u>\$ 10,299,159</u>	<u>\$ 9,752,585</u>	<u>\$ 546,574</u>

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – POLICE PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability was measured as of December 31, 2021 based on actuarial valuation date as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75%
Projected salary increases	4.75%
Inflation	3.00%

Mortality rates were based on the PUB S-2010 Table for males and females. Improvements were based on Scale MP-2020 for male and female, fully generational.

Expected Long-Term 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 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 percentages and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	
Large Cap	5.72%
Mid Cap	6.77%
Small Cap	6.77%
International Equity	6.55%
Fixed Income	1.31%
Real Estate	5.41%
Cash	-0.33%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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.

The actuarial assumptions used in the January 1, 2021 valuation were based upon past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the Plan. A recent actuarial experience study was not performed.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – POLICE PENSION PLAN (CONTINUED)

Sensitivity of The Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Borough, calculated using the discount rate of 7.75%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%).

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Township's net pension liability	\$1,905,530	\$546,574	\$(584,449)

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2020, the Township recognized pension expense of \$117,305. At December 31, 2021 the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 310,407
Changes in assumptions	195,872	-
Net difference between projected and actual earnings on pension plan investments	-	479,800
Total	\$ 195,872	\$ 790,207

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

Year ended December 31:	
2022	\$ (90,723)
2023	(264,831)
2024	(131,753)
2025	(64,171)
2026	(13,642)
Thereafter	(29,215)

NOTE 8 – NON-UNIFORMED PENSION PLAN

The Township maintains a single employer defined benefit pension retirement plan for non-uniformed employees covered by the provisions of Ordinance No. 95-262 adopted pursuant to Act 600. Authority of the Plan falls with the Township's Pension Board. 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. Investments of the plan are reported at fair value.

Summary of Significant Accounting Policies**Basis of Accounting**

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

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 – NON-UNIFORMED PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies

Method Used to Value Investments

The 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 to The Principal Life Insurance Company.

Benefits Provided

Following is a summary of the employee eligibility requirements and benefits under the Township's Non-Uniformed Retirement Plan:

Covered Employees	All non-uniformed employees join the plan after attainment of age 18.
Eligibility for Normal Retirement	Attained age 65.
Monthly Pension Benefit	Equal to 1.67% of average compensation multiplied by accrual service (maximum 25 years).
Vesting	100% immediate.
Required Employee	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	None.
Survivor Annuity Death Benefit	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.
Cost-of-Living Adjustment	None.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 – NON-UNIFORMED PENSION PLAN (CONTINUED)

Plan Membership

Membership of each plan consisted of the following at January 1, 2021, for the Non-Uniformed Retirement Pension Plan, the date of the latest actuarial valuation:

	NEPP
Retirees and Beneficiaries currently receiving benefits	16
Terminated Employees entitled to benefits, but not yet receiving them	12
Active plan participants	14
Total Plan Membership	42

Pension Plan Investments

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The following is the plans target asset allocation:

Asset Class	Target Allocation
Domestic Equity	
Large Cap	32%
Mid Cap	4%
Small Cap	2%
International Equity	18%
Fixed Income	38%
Real Estate	6%
Cash	0%

For the year ended December 31, 2021, the annual money-weighted rate of return on the Non-Uniformed Retirement pension plan investments, net of pension plan investment expense, was 10.07 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Funding Policy and Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute 5% of compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. The state aid, employee, and Township contributions totaled \$29,322 for the year ended December 31, 2021.

Normally, administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 – NON-UNIFORMED PENSION PLAN (CONTINUED)

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 represents 5% or more of the plan's fiduciary net position. At December 31, 2021, there was one concentration for the Township's pension. All pension assets are invested in pooled separate accounts through an annuity contract with Principal Finance Group.

Net Pension Liability

The components of the net pension liability of the Non-Uniformed Retirement plan as of December 31, 2021 were as follows:

Total Pension Liability	\$ 2,475,485
Plan Fiduciary Net Position	<u>2,325,683</u>
Net Pension Liability	\$ 149,802
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.9%

Changes in the Township's net pension liability for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2020	\$ 2,325,628	\$ 2,165,848	\$ 159,780
Changes for the year:			
Service cost	83,548	-	83,548
Interest	183,892	-	183,892
Changes of assumptions	97,339	-	97,339
Differences between expected and actual experience	(52,513)	-	(52,513)
Contributions - employer	-	-	-
Contributions - member	-	41,339	(41,339)
Contributions - state aid	-	74,737	(74,737)
Net investment income	-	212,543	(212,543)
Benefit payments, including refunds of employee contributions	(162,409)	(162,409)	-
Administrative expense	-	(6,375)	6,375
Net changes	<u>149,857</u>	<u>159,835</u>	<u>(9,978)</u>
Balances at 12/31/2021	<u>\$ 2,475,485</u>	<u>\$ 2,325,683</u>	<u>\$ 149,802</u>

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 8 – NON-UNIFORMED PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability was measured as of December 31, 2021 based on actuarial valuation date as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75%
Projected salary increases	4.75%

Mortality rates were based on the PUB G-2010 Table for males and females. Improvements were based on Scale MP-2020 for male and female, fully generational.

Expected Long-Term 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 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 percentages and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	
Large Cap	5.72%
Mid Cap	6.77%
Small Cap	6.77%
International Equity	6.55%
Fixed Income	1.31%
Real Estate	5.41%
Cash	-0.33%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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.

The actuarial assumptions used in the January 1, 2021 valuation were based upon past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the Plan. A recent actuarial experience study was not performed.

NEWBERRY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 8 – NON-UNIFORMED PENSION PLAN (CONTINUED)

Sensitivity of The Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Borough, calculated using the discount rate of 7.75%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%).

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Township's net pension liability	\$406,794	\$149,802	\$(70,712)

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2020, the Township recognized pension expense of \$29,322. At December 31, 2021 the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39,450
Changes in assumptions	73,125	-
Net difference between projected and actual earnings on pension plan investments	-	106,570
Total	\$ 73,125	\$ 146,020

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

Year ended December 31:	
2022	\$ (26)
2023	(48,790)
2024	(14,665)
2025	(9,414)
2026	-
Thereafter	-

NOTE 9 – DEFERRED COMPENSATION

The Township offers a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, to certain Township employees. In accordance with GASB Statement No. 97, this plan does not meet the requirements to be reported as a fiduciary activity within the Township's financial statements. The plan permits employees to defer a portion of their salary until future years. The compensation deferred is not available until termination, retirement, death or disability. Employees can elect to defer up to a maximum percentage of their compensation as specified in the plan document. There are no employer contributions to the plan.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 – FUND BALANCE CLASSIFICATIONS

At December 31, 2021, components of fund balance are as follows:

	General Fund	Highway Aid Fund	Capital Reserve Fund	ARPA Fund
Restricted for:				
Fire hydrant service	\$ 907,926	\$ -	\$ -	\$ -
Road construction and maintenance	-	421,906	-	-
Capital projects	-	-	801,164	-
ARPA	-	-	-	833,232
Unrestricted	<u>3,546,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,454,888</u>	<u>\$ 421,906</u>	<u>\$ 801,164</u>	<u>\$ 833,232</u>

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, 2021. 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.

Employees Covered by Benefit Terms

At January 1, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Inactive plan members entitled to but not yet receiving benefit payments	11
Active plan members	<u>0</u>
Total	<u>12</u>

Benefits Provided

The Plan provides medical, dental, and vision coverage to eligible police retirees that were hired prior to January 1, 2021, during the first four years of retirement at not 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, 2021, 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, 2021, the Township paid benefits and recognized expenditures in the amount of \$15,408. These financial statements assume that pay-as-you-go funding will continue.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Net OPEB Liability

The components of the net OPEB liability of the Township as of December 31, 2021 were as follows:

Total OPEB Liability	\$ 1,458,622
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability	\$ 1,458,622
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0%

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, and update procedures were used to roll forward the total OPEB liability to December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	4.75 percent compounded annually
Discount Rate	2.5 percent
Healthcare cost trend rates	7.5% in 2021 gradually decreasing to 5% by 2031

The discount rate was based on S&P 20 year AA municipal bond rate.

Mortality rates were based on the RP-2010 Combined Mortality Table for Males or Females.

The actuarial assumptions used in the January 1, 2020 valuation were based on historical results, as a recent experience study was not completed.

Changes in the Total OPEB Liability

Changes in the Borough's total OPEB liability for the plan for the year ended December 31, 2021 were as follows:

	<u>Total OPEB Liability</u>
Balance at 1/1/2021	\$ 1,359,629
Changes for the year:	
Service Cost	96,013
Interest	35,979
Between Expected and Actual Experience In Assumptions	-
Benefit Payments	<u>(32,999)</u>
Net Changes	<u>98,993</u>
Balance at 12/31/2021	<u>\$ 1,458,622</u>

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents 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 (1.50%) or 1-percentage-point higher (3.50%) than the current discount rate:

	1% Decrease 1.50%	Current Discount Rate 2.50%	1% Increase 3.50%
Total OPEB Liability	\$ 1,558,206	\$ 1,458,622	\$ 1,361,222

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents 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 (6.5% decreasing to 4%) or 1-percentage-point higher (8.5% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease 6.5% decreasing to 4%	Medical Trend Rate 7.5% decreasing to 5%	1% Increase 8.5% decreasing to 6%
Total OPEB Liability	\$ 1,262,680	\$ 1,458,622	\$ 1,686,332

Deferred Outflows and Inflows of Resources

For the year ended December 31, 2021, the Township recognized OPEB expense of \$141,196. At December 31, 2021, the Township reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 35,057	\$ -
Changes in assumptions	83,824	-
Total	\$ 118,881	\$ -

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

2022	\$ 9,204
2023	9,204
2024	9,204
2025	9,204
2026	9,204
Thereafter	72,861

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 – CONTINGENCIES AND COMMITMENTS

General

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The Township has continued operations within rigid guidelines aimed at halting the spread of the virus. At this point, the future impact of COVID-19 on the Township's operations and financial condition cannot be estimated. The Township's management is monitoring the evolving situation and adapting operations and decision making, as necessary.

Developers operating in the Township are required to obtain letter 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, 2021, amounted to approximately \$7,199,281.

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.

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.

Collective Bargaining Agreements

The Township has entered into a collective bargaining agreement with Teamsters Local 776 which will expire December 31, 2023. The agreement stipulates wages, benefits, and general working conditions for the Township's road crew. Pay increases of 2.0% per year are scheduled for each year remaining on the agreement.

The Township has entered into a collective bargaining agreement with Newberry Township Patrolman's Association which will expire December 31, 2024. The agreement stipulates wages, benefits, and general working conditions for the Township's police officers. Pay increases of 2.0% per year are scheduled for each year remaining on the agreement.

NEWBERRY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13 – SEWER IMPROVEMENT AGREEMENTS

The Township has entered into a sewer improvement agreement with local developer dealing with the sewer facilities in one of the developments. A description of the agreements is as follows:

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 developer's 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 management fee which will be supplemented by a special purpose component cost added to the tapping fee. \$0 in credits were issued in 2021 leaving a remaining credit balance of \$1,216,652 as of December 31, 2021.

NOTES 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. Annually, the Township completes a reconciliation of the wastewater treatment plant operating and maintenance costs, as confirmed in the annual Township audit report, and adjusts the fourth quarter payment as needed. In addition, Goldsboro Municipal Authority pays flat yearly fees (adjusted annually based on the Consumer Price Index (CPI)) for the conveyance and administrative costs associate with sewage processing. The Goldsboro Municipal Authority agreed to pay the Township 13% of the McNaughton agreement. Total cost was \$397,972. The remaining balance due to the Township at December 31, 2021, was \$163,617.

REQUIRED SUPPLEMENTARY INFORMATION

NEWBERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL Page 42
GENERAL FUND
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021
(REQUIRED SUPPLEMENTARY INFORMATION)

	<u>Budgeted amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 4,629,797	\$ 4,629,797	\$ 5,078,518	\$ 448,721
Licenses, fees and permits	210,150	210,150	495,237	285,087
Fines and forfeits	95,000	95,000	102,160	7,160
Interest and rents	7,700	7,700	7,960	260
Intergovernmental	360,750	360,750	373,207	12,457
Charges for service	311,896	311,896	454,555	142,659
Donations	-	-	11,600	11,600
Miscellaneous	90,000	90,000	17,350	(72,650)
Total Revenues	5,705,293	5,705,293	6,540,587	835,294
Expenditures:				
General government	624,816	624,816	766,359	(141,543)
Public safety	3,742,433	3,742,433	2,348,537	1,393,896
Public works:				
Highway	1,142,899	1,142,899	596,739	546,160
Other	44,000	44,000	147,460	(103,460)
Culture and Recreation	31,000	31,000	30,932	68
Debt service	97,000	97,000	88,950	8,050
Miscellaneous	7,000	7,000	-	7,000
Pension and other benefits	493,674	493,674	1,971,139	(1,477,465)
Total expenditures	6,182,822	6,182,822	5,950,116	232,706
Other financing sources/(uses):				
Refund of prior year expenditures	-	-	88,508	88,508
Proceeds from disposal of fixed assets	-	-	22,400	22,400
Transfers in	-	-	43,116	43,116
Total other financing sources/(uses)	-	-	154,024	154,024
Net change in fund balances	\$ (477,529)	\$ (477,529)	\$ 744,495	\$ 1,222,024

NEWBERRY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
 POLICE PENSION
 (REQUIRED SUPPLEMENTARY INFORMATION)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Costs	\$ 285,054	\$ 279,229	\$ 266,567	\$ 254,704	\$ 243,154	\$ 210,248	\$ 200,714	\$ 200,071
Interest	756,228	721,999	680,837	640,733	607,721	579,409	544,694	521,554
Changes of Benefit Terms	(280,578)	-	109,300	-	(172,400)	-	(214,963)	-
Differences Between Expected and Actual Experience	136,097	-	-	-	15,332	-	272,621	-
Changes of Assumptions	(429,773)	(432,042)	(425,853)	(572,391)	(300,559)	(299,778)	(314,247)	(227,846)
Benefit Payments, Including Refunds of Member Contributions								
Net Change in Total Pension Liability	477,028	569,186	630,851	323,046	393,248	489,879	488,819	493,779
Total Pension Liability - beginning	9,822,091	9,252,905	8,622,054	8,299,008	7,905,760	7,415,881	6,927,062	6,433,283
Total Pension Liability - ending (a)	<u>\$ 10,299,119</u>	<u>\$ 9,822,091</u>	<u>\$ 9,252,905</u>	<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>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 269,938	\$ 239,480	\$ 225,361	\$ 245,254	\$ 217,679	\$ 179,299	\$ 120,911	\$ 111,743
Contributions - State Aid	155,533	149,122	153,287	149,900	132,883	166,236	156,833	170,398
Contributions - Member	84,182	81,413	78,142	73,364	69,531	68,009	63,254	65,083
Net Investment Income	886,896	947,972	1,189,816	(336,756)	909,640	304,995	(94,645)	283,501
Benefit Payments, Including Refunds of Member Contributions	(429,773)	(432,042)	(425,853)	(572,391)	(300,559)	(299,778)	(314,247)	(227,846)
Administrative Expense	(5,875)	(5,925)	(5,800)	(5,995)	(5,915)	(5,915)	(7,165)	(4,625)
Net Change in Plan Fiduciary Net Position	962,903	980,020	1,214,953	(446,624)	1,023,259	412,846	(35,059)	398,254
Plan Fiduciary Net Position - beginning	8,789,642	7,809,622	6,594,669	7,041,293	6,018,034	5,605,188	5,640,247	5,241,993
Plan Fiduciary Net Position - ending (b)	<u>\$ 9,752,545</u>	<u>\$ 8,789,642</u>	<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>
Borough's Net Pension Liability - ending (a) - (b)	\$ 546,574	\$ 1,032,449	\$ 1,443,283	\$ 2,027,385	\$ 1,257,715	\$ 1,887,726	\$ 1,810,693	\$ 1,286,815
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.7%	89.5%	84.4%	76.5%	84.8%	76.1%	75.6%	81.4%
Covered Payroll	\$ 1,495,247	\$ 1,553,318	\$ 1,474,510	\$ 1,387,450	\$ 1,334,855	\$ 1,294,477	\$ 1,318,495	\$ 1,363,366
Borough's Net Pension Liability as a Percentage of Covered Payroll	36.6%	66.5%	97.9%	146.1%	94.2%	145.8%	137.3%	94.4%

The Township adopted GASB 67 on a prospective basis in 2014; therefore only eight years are presented in the above schedule.

NEWBERRY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS - POLICE PENSION
 (REQUIRED SUPPLEMENTARY INFORMATION)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contributions	\$ 425,471	\$ 388,602	\$ 378,648	\$ 367,653	\$ 350,562	\$ 345,535	\$ 277,744	\$ 282,141	\$ 273,238	\$ 289,261
Contributions in relation to the actuarially determined employer contribution	425,471	388,602	378,648	395,154	350,562	345,535	277,744	282,141	273,238	289,261
Employer contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ (27,501)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,495,247	\$ 1,553,318	\$ 1,474,510	\$ 1,387,450	\$ 1,334,855	\$ 1,294,477	\$ 1,318,495	\$ 1,363,366	\$ 1,278,036	\$ 1,247,486
Employer contributions as a percentage of covered payroll	28.45%	25.02%	25.68%	28.48%	26.26%	26.69%	21.07%	20.69%	21.38%	21.58%

Notes to Schedule

Valuation date: 1/1/2021 1/1/2019 1/1/2019 1/1/2019 1/1/2017 1/1/2017 1/1/2015 1/1/2015 1/1/2013 1/1/2013 1/1/2011

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Spouse's Age: Males are assumed to be three years older than females
- Asset valuation method: Assets are valued at fair value, including receivables up to the MMIO
- Inflation: 3.00%
- Salary increases: 4.75%; In no event will the IRS maximum compensation limits be exceeded
- Investment rate of return: 7.75%
- Retirement age: Normal retirement age
- Pre-Retirement Mortality: None
- Post-Retirement Mortality: PubS-2010 Healthy Retiree Mortality
- Beneficiary Mortality: PubS-2010 Contingent Survivor Mortality
- Disabled Mortality: PubS-2010 Disabled Mortality

NEWBERRY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
 NONUNIFORMED EMPLOYEE PENSION PLAN
 (REQUIRED SUPPLEMENTARY INFORMATION)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 83,548	\$ 64,187	\$ 61,276	\$ 55,194	\$ 52,691	\$ 43,579	\$ 41,603	\$ 42,631
Interest	183,892	172,888	165,282	160,040	150,849	149,346	140,711	130,926
Changes of benefit terms	(52,513)	-	(53,556)	-	(114,205)	-	(42)	-
Differences between expected and actual experience	97,339	-	-	-	5,796	-	82,710	-
Changes of assumptions	(162,409)	(156,139)	(106,528)	(93,698)	(81,207)	(67,261)	(78,478)	(73,827)
Benefit payments, including refunds of employee contributions	149,857	80,936	66,474	121,536	13,924	125,664	186,504	99,730
Net change in total pension liability								
	2,325,628	2,244,692	2,178,218	2,056,682	2,042,758	1,917,094	1,730,590	1,630,860
Total pension liability - beginning								
Total pension liability - ending (a)	\$ 2,475,485	\$ 2,325,628	\$ 2,244,692	\$ 2,178,218	\$ 2,056,682	\$ 2,042,758	\$ 1,917,094	\$ 1,730,590
Plan fiduciary net position								
Contributions - Employer	\$ 74,737	72,451	66,894	65,581	64,412	64,446	49,811	53,151
Contributions - State Aid	41,339	36,406	32,468	29,779	28,676	22,197	20,787	19,334
Contributions - Member	212,543	231,487	300,591	(105,585)	227,919	73,851	(25,242)	67,779
Net investment income	(162,409)	(156,139)	(106,528)	(93,698)	(81,207)	(67,261)	(78,478)	(73,827)
Benefit payments, including refunds of employee contributions	(6,375)	(6,325)	(5,500)	(5,875)	(5,875)	(5,875)	(5,915)	(5,875)
Administrative expense	159,835	177,880	287,925	(99,508)	233,925	87,358	(39,037)	60,562
Net change in plan fiduciary position								
	2,165,848	1,987,968	1,700,043	1,799,551	1,565,626	1,478,268	1,517,305	1,456,743
Plan fiduciary net position - beginning								
Plan fiduciary net position - ending (b)	2,325,683	2,165,848	1,987,968	1,700,043	1,799,551	1,565,626	1,478,268	1,517,305
Borough's net pension liability - ending (a) - (b)	\$ 149,802	\$ 159,780	\$ 256,724	\$ 478,175	\$ 257,131	\$ 477,132	\$ 438,826	\$ 213,285
Plan fiduciary net position as a percentage of the total pension liability	93.9%	93.1%	88.6%	78.0%	87.5%	76.6%	77.1%	87.7%
Covered payroll	\$ 756,725	\$ 760,966	\$ 745,738	\$ 721,869	\$ 639,696	\$ 593,370	\$ 552,649	\$ 644,294
Borough net pension liability as a percentage of covered payroll	19.8%	21.0%	34.4%	66.2%	40.2%	80.4%	79.4%	33.1%
Notes to schedule								

The Township adopted GASB 67 on a prospective basis in 2014; therefore only eight years are presented in the above schedule.

NEWBERRY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF INVESTMENT RETURNS - NON-UNIFORMED AND POLICE PENSION
 (REQUIRED SUPPLEMENTARY INFORMATION)

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense								
Nonuniformed Employee Pension Plan	10.07%	11.90%	18.10%	-5.95%	14.81%	5.10%	-1.68%	4.76%
Police Pension Plan	10.27%	12.39%	18.44%	-4.93%	15.30%	5.52%	-0.98%	5.45%

Notes to Schedule

The Township adopted GASB 67 on a prospective basis in 2014; therefore only eight years are presented in the above schedule.

NEWBERRY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS
 NON-UNIFORMED PENSION
 (REQUIRED SUPPLEMENTARY INFORMATION)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 74,737	\$ 72,451	\$ 66,894	\$ 68,371	\$ 64,412	\$ 64,446	\$ 49,811	\$ 53,151	\$ 56,587	\$ 66,506
Contribution in Relation to the Actuarially Determined Contribution	74.737	72.451	66.894	75.871	64.412	64.446	49.811	53.151	56.587	66.506
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ (7,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 756,725	\$ 760,966	\$ 745,738	\$ 721,869	\$ 639,696	\$ 593,370	\$ 552,649	\$ 644,294	\$ 655,524	\$ 891,594
Contribution as a percentage of Covered Payroll	9.9%	9.5%	9.0%	10.5%	10.1%	10.9%	9.0%	8.2%	8.6%	7.5%

Notes to Schedule:

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial Cost Method
- Asset Valuation Method
- Inflation
- Salary Increases
- Investment Rate of Return
- Marital Status
- Spouse's Age
- Pre-Retirement Mortality
- Post-Retirement Mortality:
- Beneficiary Mortality:
- Disabled Mortality:

- Entry Age Normal
- Assets are valued at fair value, including receivables up to the MMO
- 3.00%
- 4.75% . In no event will the IRS maximum compensation limits be exceeded
- 7.75%
- 75% of Members are assumed to be married.
- Males are assumed to be three years older than females.
- PubG-2010 Employee Mortality
- PubS-2010 Healthy Retiree Mortality
- PubS-2010 Contingent Survivor Mortality
- PubS-2010 Disabled Mortality

1/1/2021	1/1/2019	1/1/2019	1/1/2017	1/1/2017	1/1/2017	1/1/2015	1/1/2015	1/1/2013	1/1/2013	1/1/2011
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NEWBERRY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST TEN YEARS
 REQUIRED SUPPLEMENTARY INFORMATION

	2021	2020	2019	2018
Total OPEB liability				
Service Cost	\$ 96,013	\$ 91,659	\$ 73,193	\$ 69,874
Interest	35,979	33,525	39,489	37,693
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	37,771	-	-
Changes in assumptions or other inputs	-	90,314	-	-
Benefit payments, including refunds of employee contributions	(32,999)	(29,767)	(63,233)	(55,914)
Net change in total OPEB liability	98,993	223,502	49,449	51,653
Total OPEB liability - beginning	1,359,629	1,136,127	1,086,678	1,035,025
Total OPEB liability - ending (a)	<u>\$ 1,458,622</u>	<u>\$ 1,359,629</u>	<u>\$ 1,136,127</u>	<u>\$ 1,086,678</u>
Covered payroll	\$ 1,588,173	\$ 1,516,156	\$ 1,159,066	\$ 1,106,507
Total OPEB liability as a percentage of covered payroll	91.8%	89.7%	98.0%	98.2%

Notes to Schedule:

The Township adopted GASB 75 on a prospective basis in 2018; therefore only four years are presented in the above schedule.

The Township has not accumulated assets in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay OPEB benefits.

OTHER SUPPLEMENTARY INFORMATION

NEWBERRY TOWNSHIP, PENNSYLVANIA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS
 MODIFIED CASH BASIS
 DECEMBER 31, 2021

	Non-uniformed Employees	Police Employees	Total
Assets:			
Investments:			
Fixed income mutual funds	\$ 876,698	\$ 3,712,843	\$ 4,589,541
Equity mutual funds	1,299,061	5,414,418	6,713,479
Other assets	149,750	624,560	774,310
Accrued Income	174	724	898
Total assets	2,325,683	9,752,545	12,078,228
Net position:			
Net position restricted for pensions	\$ 2,325,683	\$ 9,752,545	\$ 12,078,228

NEWBERRY TOWNSHIP, PENNSYLVANIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Non-uniformed Employees	Police Employees	Total
Additions:			
Contributions:			
Employer - state aid	\$ 74,737	\$ 155,533	\$ 230,270
Employer - other	-	269,938	269,938
Employees	41,339	84,182	125,521
Total contributions	116,076	509,653	625,729
Investment income:			
Net appreciation in fair value of investments	223,943	903,668	1,127,611
Total investment earnings	223,943	903,668	1,127,611
Less investment expenses	11,400	14,770	26,170
Net investment earnings	212,543	888,898	1,101,441
Total additions	328,619	1,398,551	1,727,170
Deductions:			
Benefit payments	162,409	429,773	592,182
Administrative expenses	6,375	5,875	12,250
Total deductions	168,784	435,648	604,432
Other			
Change in account distribution	(31,046)	31,046	-
Total Other	(31,046)	31,046	-
Changes in net position	128,789	993,949	1,122,738
Net position - beginning	2,196,894	8,758,596	10,955,490
Net position - ending	\$ 2,325,683	\$ 9,752,545	\$ 12,078,228