

# Newberry Township

Year Ended December 31, 2020

# Newberry Township

## Financial Statements with Supplementary Information - Modified Cash Basis

Year Ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
**Newberry Township**  
Etters, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Newberry Township** (the Township) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Newberry Township**, Pennsylvania as of December 31, 2020, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

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

### **Other Matters**

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise **Newberry Township's** basic financial statements. The schedule of budgetary comparison information - general fund - modified cash basis on page 31, the concise statement for publication - modified cash basis on page 32 and the schedule of funding progress - pension plans on page 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and the concise statement of publication are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and the concise statement of publication are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

The schedule of funding progress - pension plans has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



April 2, 2021  
Lancaster, Pennsylvania

**Newberry Township**  
 STATEMENT of NET POSITION -  
 Modified Cash Basis  
 December 31, 2020

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,876,037	\$ 6,254,169	\$ 11,130,206
Investments	532,052	1,054,990	1,587,042
Restricted Investments	-0-	73,044	73,044
Internal Balances	<u>42</u>	<u>(42)</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>5,408,131</u></b>	<b><u>7,382,161</u></b>	<b><u>12,790,292</u></b>
<b>LIABILITIES</b>			
Escrow Deposits	259,507	3,337	262,844
Due to Developers (net)	<u>-0-</u>	<u>920</u>	<u>920</u>
<b>TOTAL LIABILITIES</b>	<b><u>259,507</u></b>	<b><u>4,257</u></b>	<b><u>263,764</u></b>
<b>NET POSITION</b>			
Restricted	1,372,272	73,044	1,445,316
Unrestricted	<u>3,776,352</u>	<u>7,304,860</u>	<u>11,081,212</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 5,148,624</u></b>	<b><u>\$ 7,377,904</u></b>	<b><u>\$ 12,526,528</u></b>

See notes to financial statements.

**Newberry Township**  
 STATEMENT of ACTIVITIES -  
 Modified Cash Basis  
 Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 523,552	\$ 53,734	\$ 48,688	\$ -0-	\$ (421,130)	\$ -0-	\$ (421,130)
Public Safety	2,463,284	461,443	91,429	-0-	(1,910,412)	-0-	(1,910,412)
Public Works - Highways	1,457,488	-0-	587,224	-0-	(870,264)	-0-	(870,264)
Public Works - Other	146,090	145,905	75,000	-0-	74,815	-0-	74,815
Culture and Recreation	54,834	8,330	-0-	-0-	(46,504)	-0-	(46,504)
Debt Service	98,468	-0-	-0-	-0-	(98,468)	-0-	(98,468)
Benefits, Insurance and Taxes	<u>1,701,205</u>	<u>-0-</u>	<u>221,572</u>	<u>-0-</u>	<u>(1,479,633)</u>	<u>-0-</u>	<u>(1,479,633)</u>
<b>Total Governmental Activities</b>	<b>6,444,921</b>	<b>669,412</b>	<b>1,023,913</b>	<b>-0-</b>	<b>(4,751,596)</b>	<b>-0-</b>	<b>(4,751,596)</b>
Business-Type Activities:							
Sewer Operations	<u>1,924,469</u>	<u>2,564,753</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>640,284</u>	<u>640,284</u>
<b>Total Government</b>	<b><u>\$ 8,369,390</u></b>	<b><u>\$ 3,234,165</u></b>	<b><u>\$ 1,023,913</u></b>	<b><u>\$ -0-</u></b>	<b>\$ (4,751,596)</b>	<b>\$ 640,284</b>	<b>\$ (4,111,312)</b>

See notes to financial statements.

**Newberry Township**  
 STATEMENT of ACTIVITIES -  
 Modified Cash Basis  
 (Continued)  
 Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:							
Taxes:							
	Property Taxes, Levied for General Purposes, net				\$ 2,004,010	\$ -0-	\$ 2,004,010
	Public Utility Realty, Earned Income, Realty Transfer, and Other Taxes, net				2,621,314	-0-	2,621,314
	Cable Television Franchise Fees				188,399	-0-	188,399
	Investment Earnings				12,891	9,298	22,189
	Miscellaneous Income				6,748	-0-	6,748
	Proceeds on Sale of Fixed Assets				32,938	10,059	42,997
	Refund of Prior Year Expenditures				34,256	-0-	34,256
	<b>Total General Revenues</b>				<b>4,900,556</b>	<b>19,357</b>	<b>4,919,913</b>
	<b>CHANGES in NET POSITION</b>				<b>148,960</b>	<b>659,641</b>	<b>808,601</b>
<b>NET POSITION</b>							
	Beginning				4,999,664	6,718,263	11,717,927
	Ending				<b>\$ 5,148,624</b>	<b>\$ 7,377,904</b>	<b>\$ 12,526,528</b>

See notes to financial statements.

# Newberry Township

BALANCE SHEET -  
GOVERNMENTAL FUNDS -  
Modified Cash Basis  
December 31, 2020

	Major Funds			Total Governmental Funds
	General Fund	Highway Aid Fund	Capital Reserve Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,969,926	\$ -0-	\$ 906,111	\$ 4,876,037
Investments	-0-	527,030	5,022	532,052
Due from Other Funds	42	-0-	68	110
<b>TOTAL ASSETS</b>	<b><u>3,969,968</u></b>	<b><u>527,030</u></b>	<b><u>911,201</u></b>	<b><u>5,408,199</u></b>
<b>LIABILITIES and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Escrow Payables	259,507	-0-	-0-	259,507
Due to Other Funds	68	-0-	-0-	68
<b>TOTAL LIABILITIES</b>	<b>259,575</b>	<b>-0-</b>	<b>-0-</b>	<b>259,575</b>
<b>FUND BALANCES</b>				
Restricted:				
Fire Hydrant Service	841,197	-0-	-0-	841,197
Construction Projects	-0-	-0-	4,045	4,045
Road Construction and Maintenance	-0-	527,030	-0-	527,030
Capital Projects	-0-	-0-	907,156	907,156
Unassigned	2,869,196	-0-	-0-	2,869,196
<b>TOTAL FUND BALANCES</b>	<b><u>3,710,393</u></b>	<b><u>527,030</u></b>	<b><u>911,201</u></b>	<b><u>5,148,624</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 3,969,968</u></b>	<b><u>\$ 527,030</u></b>	<b><u>\$ 911,201</u></b>	<b><u>\$ 5,408,199</u></b>

See notes to financial statements.



# Newberry Township

## STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -

### GOVERNMENTAL FUNDS -

Modified Cash Basis

Year Ended December 31, 2020

	Major Funds			Total Governmental Funds
	General Fund	Highway Aid Fund	Capital Reserve Fund	
<b>REVENUES</b>				
Taxes	\$ 4,625,324	\$ -0-	\$ -0-	\$ 4,625,324
Licenses, Permits, and Fees	214,729	-0-	-0-	214,729
Fines and Forfeits	104,934	-0-	-0-	104,934
Interest and Rents	11,842	4,304	445	16,591
Intergovernmental Revenue	436,689	587,224	-0-	1,023,913
Charges for Services	526,118	-0-	8,330	534,448
Miscellaneous Revenue	6,748	-0-	-0-	6,748
	<b>5,926,384</b>	<b>591,528</b>	<b>8,775</b>	<b>6,526,687</b>
<b>EXPENDITURES</b>				
General Government	523,552	-0-	-0-	523,552
Public Safety	2,499,729	-0-	-0-	2,499,729
Public Works - Highways	743,817	713,671	-0-	1,457,488
Public Works - Other	109,645	-0-	-0-	109,645
Culture and Recreation	36,000	-0-	18,834	54,834
Debt Service	98,468	-0-	-0-	98,468
Pension and Other Benefits	1,701,205	-0-	-0-	1,701,205
	<b>5,712,416</b>	<b>713,671</b>	<b>18,834</b>	<b>6,444,921</b>
<b>EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES</b>				
	<b>213,968</b>	<b>(122,143)</b>	<b>(10,059)</b>	<b>81,766</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund Prior Year Expenditures	34,256	-0-	-0-	34,256
Proceeds of Fixed Assets	32,938	-0-	-0-	32,938
Transfer In	-0-	-0-	15,500	15,500
Transfer Out	(15,500)	-0-	-0-	(15,500)
	<b>51,694</b>	<b>-0-</b>	<b>15,500</b>	<b>67,194</b>
<b>NET CHANGES in FUND BALANCES</b>				
	<b>265,662</b>	<b>(122,143)</b>	<b>5,441</b>	<b>148,960</b>
<b>FUND BALANCES</b>				
Beginning, as restated	3,444,731	649,173	905,760	4,999,664
Ending	<b>\$ 3,710,393</b>	<b>\$ 527,030</b>	<b>\$ 911,201</b>	<b>\$ 5,148,624</b>

See notes to financial statements.

**Newberry Township**  
 STATEMENT of NET POSITION -  
 PROPRIETARY FUNDS -  
 Modified Cash Basis  
 December 31, 2020

	<b>Major Fund</b>
	<b>Sewer Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 6,254,169
Investments	1,054,990
Restricted Investments	<u>73,044</u>
<b>TOTAL ASSETS</b>	<b><u><u>7,382,203</u></u></b>
<b>LIABILITIES</b>	
Escrow Deposits	3,337
Due to Other funds	42
Due to Developers (net)	<u>920</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>4,299</u></u></b>
<b>NET POSITION</b>	
Restricted for Sewer Construction Projects	73,044
Unrestricted	<u>7,304,860</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 7,377,904</u></u></b>

See notes to financial statements.

# Newberry Township

STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -  
PROPRIETARY FUNDS -  
Modified Cash Basis  
Year Ended December 31, 2020

	<u>Major Fund</u> <u>Sewer</u> <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for Services	<b>\$ 2,564,753</b>
<b>OPERATING EXPENSES</b>	
Contracted Services	31,299
Employee Benefits	112,582
Insurance	19,036
Materials and Supplies	148,395
Office Expense	84,829
Payroll Taxes	17,693
Professional Services	4,943
Pump Station Maintenance	42,126
Repairs and Maintenance	66,011
Salaries	215,224
Sludge Removal	174,525
Utilities	6,867
Vehicle Expenses	<u>3,156</u>
<b>Total Operating Expenses</b>	<b><u>926,686</u></b>
<b>OPERATING INCOME</b>	<b>1,638,067</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	9,298
Proceeds on Sale of Capital Assets	10,059
Debt Service	<u>(997,783)</u>
<b>Net Nonoperating (Expenses)</b>	<b><u>(978,426)</u></b>
<b>CHANGES in NET POSITION</b>	<b>659,641</b>
<b>NET POSITION</b>	
Beginning	<u>6,718,263</u>
<b>Ending</b>	<b><u><u>\$ 7,377,904</u></u></b>

See notes to financial statements.

**Newberry Township**  
STATEMENT of NET POSITION -  
FIDUCIARY FUNDS -  
Modified Cash Basis  
December 31, 2020

	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Investments	<u><u>\$ 10,955,490</u></u>
<b>LIABILITIES</b>	<u><u>-0-</u></u>
<b>NET POSITION</b>	
Restricted for Pension Benefits	<u><u>\$ 10,955,490</u></u>

See notes to financial statements.

**Newberry Township**  
STATEMENT of CHANGES in NET POSITION -  
FIDUCIARY FUNDS -  
Modified Cash Basis  
Year Ended December 31, 2020

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer Contributions	\$ 239,480
Employee Contributions	117,819
Commonwealth of Pennsylvania	<u>221,572</u>
	<b>578,871</b>
Investment Income:	
Net Appreciation in Fair Value of Investments	<u>1,204,798</u>
<b>Total Additions</b>	<b>1,783,669</b>
<b>DEDUCTIONS</b>	
Retirement Benefits	588,181
Administration Expenses	<u>37,588</u>
<b>Total Deductions</b>	<u><b>625,769</b></u>
<b>CHANGES in NET POSITION</b>	<b>1,157,900</b>
<b>NET POSITION</b>	
Beginning	<u>9,797,590</u>
<b>Ending</b>	<u><b>\$ 10,955,490</b></u>

See notes to financial statements.

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**Reporting Entity**

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

The Township is financially accountable for:

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

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

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

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

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Tax in three central PA counties. The jurisdiction includes all Cumberland County school districts and municipalities, the West Shore School District and municipalities in northern York County, and the Shippensburg Area School District and municipalities in eastern Franklin County. **Newberry Township** is represented by one delegate and one alternate to the Cumberland County Tax Collection Committee. The Township's share of the Bureau's expenses was \$31,301 for 2020, 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 \$9,706 for 2020, which is included in general government expenditures on the financial statements. The financial statements of the Bureau can be obtained from the Administrative Office at 1405 North Duke Street, York, PA 17404.

**Basis of Presentation - Fund Accounting**

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

**Basis of Presentation - Financial Statements**

**Government-Wide Financial Statements**

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

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements (Continued)**

**Government-Wide Financial Statements (Continued)**

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

**Fund Financial Statements**

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

**Governmental Fund Types**

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

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

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

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

**Proprietary Fund Types**

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

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



**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary Fund Types**

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

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

**Major Fund Types**

The funds are further classified major and nonmajor as follows:

Major:

General Fund

Capital Reserve Fund

Special Revenue Fund:

Highway Aid Fund

Proprietary Fund:

Sewer Fund

Nonmajor:

None

**Basis of Accounting**

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

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

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

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting**

An operating budget is adopted each year for substantially all funds on the modified cash basis of accounting. The budget for 2020 was proposed on November 13, 2019, with final adoption on December 10, 2019. There were no budget revisions or amendments.

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

**Cash and Cash Equivalents**

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

**Investments**

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

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

**Restoration Deposits**

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

**Observation Deposits**

Developers are required to pay in advance 2% of their bonded project costs with the Township to pay for engineering and review fees. The Township then transfers these funds from the deposit account of the developer as reimbursement of costs incurred. The amount outstanding at December 31, 2020, represents uncommitted deposits where no costs have yet been incurred and, therefore, are due to the developers. Any unused deposits are returned to the developer upon completion of the project.

**Capital Assets and Depreciation**

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

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

**Pension Plans**

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

The Township also adheres to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, as applicable to the modified cash basis of accounting. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The financial statements for the Township are prepared on the modified cash basis of accounting and therefore do not reflect any long-term liabilities or related expenses. The Township made all required contributions for the year ended December 31, 2020, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

**Other Postemployment Benefits (OPEB)**

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

**Fund Balance Classification**

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Classification (Continued)**

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

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

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

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

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

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

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

**Interfund Activity**

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

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

**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**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting Standards Adopted in 2020**

During the current year, the Township adopted GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The Township's beginning balances and current year results were not affected by the implementation of this new standard.

**Pending Changes in Accounting Principles**

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

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

In March 2020, GASB issued Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) in which a government compensates an operator of a nonfinancial asset for services for a period of time in an exchange transaction. The provisions of this statement are effective for the Borough's 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. The provisions of this statement are effective for the Borough's 2023 financial statements.

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS**

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

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

**Cash and Cash Equivalents - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's policy requires that all deposits in excess of FDIC insurance coverage be collateralized with approved collateral as provided by law. At December 31, 2020, the Township's deposits totaled \$11,130,206 and the bank balances totaled \$11,300,210. Of the bank balances, \$757,695 was covered by federal depository insurance and \$12,057,905 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The pledged collateral is held by the Federal Reserve Bank, but is not titled in the Township's name.

**Reconciliation of Cash and Cash Equivalents to the Financial Statements**

Bank Balance	11,300,210
Less: Outstanding Checks	<u>(170,004)</u>
<b>Total Cash and Cash Equivalents per the Financial Statements</b>	<b>11,130,206</b>

**Investments**

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

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

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

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

**Investments (Continued)**

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

Investments' fair value measurements are as follows at December 31, 2020:

**Investments**

<b>Investments Recorded at Fair Value:</b>	<b>Recorded Value</b>	<b>Fair Value Measurements Using</b>			<b>Maturity</b>
		<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>	<b>Level 3 Inputs</b>	
Pooled Separate Accounts	10,955,490		10,955,490		
Municipal Bonds	40,000	40,000			
Money Market	936,034	936,034			
Time Deposits	<u>152,000</u>	<u>          </u>	<u>152,000</u>	<u>          </u>	<30 Days
<b>Total Investments Fair Value</b>	<b>12,083,524</b>	<b>976,034</b>	<b>11,107,490</b>	<b>- 0-</b>	
<b>Investments Recorded at Amortized Cost:</b>	<b>Recorded Value</b>				<b>Maturity</b>
PLGIT – Class	532,052				<30 Days
<b>Total Investments per the Financial Statements</b>	<b>12,615,576</b>				

**Restrictions on Qualified Investment Pool Withdrawals**

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

**Interest Rate Risk**

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

**Credit Risk**

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

**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, 2020, there were no concentrations for the Township's total investments.

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

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

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. At December 31, 2020, the Township has no investment subject to custodial credit risk.

**Restricted Investments**

Restricted investments in the Sewer fund at December 31, 2020 represent unexpended bond proceeds of \$73,044.

**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, 2020, was 2.40 mills (\$2.40 per \$1,000 of assessed valuation) as levied by the Township Board of Supervisors.

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

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

For the 2020 tax levy, the face payment period was extended to December 31, 2020, to provide relief due to the coronavirus (COVID-19) pandemic.

**NOTE 4 - INTERFUND ACCOUNTS**

Interfund balances are as follows as of December 31, 2020:

<b>Assets</b>		<b>Liabilities</b>	
General Fund	42	Sewer Fund	42
Capital Reserve Fund	68	General Fund	68

Interfund transfers for the year ended December 31, 2020, were made from general fund to capital reserve fund to fund future capital projects in the amount of \$15,500.

**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.



**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 5 - GENERAL LONG-TERM DEBT (Continued)**

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

	<b>Beginning Balance January 1</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance December 31</b>
<b>2020</b>				
General Obligation Bonds, Series of 2012	3,460,000		530,000	2,930,000
General Obligation Bonds, Series A of 2014	1,300,000		350,000	950,000
General Obligation Bonds, Series B of 2014	275,000		90,000	185,000
Compensated Absences	<u>545,830</u>	<u>93,257</u>	<u>84,296</u>	<u>554,791</u>
	<b>5,580,830</b>	<b>93,257</b>	<b>1,054,296</b>	<b>4,619,791</b>

  

	<b>Interest Rates</b>	<b>Maturity Date</b>	<b>Callable Date</b>	<b>Amounts Due Within 1 Year</b>
Series of 2012	2.75% to 3.30%	July 15, 2031	July 15, 2018	540,000
Series A of 2014	.60% to 2.375%	July 15, 2023	July 15, 2020	360,000
Series B of 2014	.25% to 2.25%	July 15, 2022	July 15, 2020	<u>85,000</u>
				<b>985,000</b>

Scheduled debt service requirements are:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	985,000	104,358	1,089,358
2022	1,015,000	83,308	1,098,308
2023	795,000	59,096	854,096
2024	155,000	38,647	193,647
2025	160,000	34,385	194,385
2026 - 2030	880,000	98,370	978,370
2031	<u>75,000</u>	<u>2,475</u>	<u>77,475</u>
	<b>4,065,000</b>	<b>420,639</b>	<b>4,485,639</b>

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.

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 7 - PENSION PLANS**

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

**Summary of Significant Accounting Policies**

**Basis of Accounting**

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

**Method Used to Value Investments**

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

**Plan Membership**

Membership of each plan consisted of the following at January 1, 2020, for the PPP and the NEPP, the date of the latest actuarial valuation:

	PPP	NEPP
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, but not yet Receiving Them	12	26
Active Plan Participants	<u>17</u>	<u>14</u>
<b>Total Plan Membership</b>	<b>29</b>	<b>40</b>

**Benefits Provided**

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

	PPP	NEPP
Covered Employees	All full-time police persons who works at least 40 hours per week at a definite salary.	All non-uniformed employees join the plan after attainment of age 18.
Eligibility for Normal Retirement	Attained age 50 and completed 25 years of aggregate service.	Attained age 65.

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 7 - PENSION PLANS (Continued)**

**Benefits Provided (Continued)**

	PPP	NEPP
Monthly Pension Benefit	Equal to 50% of the monthly average of an employee's total pay for the latest 36 months multiplied by the quotient of the number of completed months of service to date divided by completed months of service plus the number of months of service remaining to the normal retirement date.	Equal to 1.67% of average compensation multiplied by accrual service (maximum 25 years).
Vesting	100% on or subsequent to 12 years of service.	100% immediate.
Required Employee	1% of compensation as of May 2011 3% of compensation as of January 1, 2012, 5% of compensation as of January 1, 2014.	Effective January 1, 2019, 4% of compensation for participants covered by the contract with the Teamsters Union, 5% of compensation for all other participants.
Disability Benefit	Monthly income payable until normal retirement, death or recovery and a deferred annuity payable at the normal retirement date.	None.
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.	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.

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 7 - PENSION PLANS (Continued)**

**Benefits Provided (Continued)**

	PPP	NEPP
Cost-of-Living Adjustment	Adjustment to the retirement benefit related to the Consumer Price Index (up to 3.0% in such year) with an overall benefit limit of 130% of the normal retirement benefit.	None.

**Funding Policy and Contributions**

The Township's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The Entry Age Normal Cost Method is the actuarial cost method utilized to determine the annual minimum municipal contribution obligation for both plans. During 2020, the Township received a \$221,572 state allotment that was deposited into the Police Retirement Plan. In addition, employer and employee contributions to each plan for 2020, respectively, were \$167,030 and \$81,413 to the Police Retirement Plan and \$72,450 and \$36,406 to the Non-uniformed Retirement Plan.

**Concentrations**

Concentrations are defined as investments held by the Township, other than those issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments, in any one organization that represent 5% or more of the plan's fiduciary net position. At December 31, 2020, there was one concentration for the Township's pension. All pension assets are invested in pooled separate accounts through an annuity contract with Principal Financial Group.

**Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.17%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	
Large Cap	6.19%
Mid Cap	7.37%
Small Cap	7.37%
International Equity	6.92%
Fixed Income	1.76%
Real Estate	5.74%
Cash	.11%

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 8 - COMBINING FIDUCIARY SCHEDULES**

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

**Combining Schedule of Fiduciary Net Position**

	Non-Uniformed Employee Pension Trust Fund	Police Pension Trust Fund	Total
<b>ASSETS</b>			
Investments	2,196,894	8,758,596	10,955,490
<b>NET POSITION</b>			
Restricted for Pension Benefits	2,196,894	8,758,596	10,955,490

**Combining Schedule of Changes in Fiduciary Net Position**

	Non-Uniformed Employee Pension Trust Fund	Police Pension Trust Fund	Total
<b>ADDITIONS</b>			
Employer Contributions	72,450	167,030	239,480
Employee Contributions	36,406	81,413	117,819
Transfer from General Fund - State Aid	-0-	221,572	221,572
Investment Gain on Pension Funds	<u>242,977</u>	<u>961,821</u>	<u>1,204,798</u>
<b>Total Additions</b>	<b>351,833</b>	<b>1,431,836</b>	<b>1,783,669</b>
<b>DEDUCTIONS</b>			
Retirement Distributions/Withdrawals	125,092	463,089	588,181
Administration Expenses	<u>17,815</u>	<u>19,773</u>	<u>37,588</u>
<b>Total Deductions</b>	<b><u>142,907</u></b>	<b><u>482,862</u></b>	<b><u>625,769</u></b>
<b>Changes in Net Position</b>	<b>208,926</b>	<b>948,974</b>	<b>1,157,900</b>
<b>NET POSITION</b>			
Beginning	<u>1,987,968</u>	<u>7,809,622</u>	<u>9,797,590</u>
Ending	<b>2,196,894</b>	<b>8,758,596</b>	<b>10,955,490</b>

**Newberry Township**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**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.

**NOTE 10 - FUND BALANCE CLASSIFICATIONS**

At December 31, 2020, components of fund balance are as follows:

	<b>General Fund</b>	<b>Highway Aid Fund</b>	<b>Capital Reserve Fund</b>	<b>Total Governmental Funds</b>
Restricted for:				
Fire Hydrant Services	841,197	-0-	-0-	841,197
Construction Projects	-0-	-0-	4,045	4,045
Road Construction and Maintenance	-0-	527,030	-0-	527,030
Capital Projects	-0-	-0-	907,156	907,156
Unassigned	<u>2,869,196</u>	<u>-0-</u>	<u>-0-</u>	<u>2,869,196</u>
	<b>3,710,393</b>	<b>527,030</b>	<b>911,201</b>	<b>5,148,624</b>

**NOTE 11 - RESTRICTED NET POSITION of PROPRIETARY FUNDS**

The Township has restricted the balances to be used for capital improvements in the proprietary funds as follows:

Sewer Fund	
Sewer Investment Account:	73,044

**NOTE 12 - POSTEMPLOYMENT HEALTH CARE BENEFITS**

**Description**

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 12 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Benefits Provided**

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

**Funding Policy**

The Township has elected to finance postemployment benefits on a pay-as-you-go basis. The Township recognizes expenditures for postemployment group insurance when paid by the Township. During the year ended December 31, 2020, the Township paid benefits and recognized expenditures in the amount of \$14,129. These financial statements assume that pay-as-you-go funding will continue.

**Employees Covered by Benefit Terms**

At January 1, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1
Other Active Employees Entitled to but not yet Receiving Benefits	11
Active Employees	<u>0</u>
	<b>12</b>

**NOTE 13 - 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 Borough's operations and financial condition cannot be estimated. The Borough's management is monitoring the evolving situation and adapting operations and decision making, as necessary.

Developers operating in the Township are required to obtain letters of credit, payment or insurance bonds or other escrow agreements to provide assurance that projects will be completed according to approved specifications and on a timely basis. Should one or more of these instruments expire and a default occur, it may be necessary for the Township to take over the defaulted project. Outstanding project guarantees at December 31, 2020, amounted to approximately \$6,745,418.

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

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

**Newberry Township**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 13 - CONTINGENCIES and COMMITMENTS (Continued)**

**General (Continued)**

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

**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.

**NOTE 14 - SEWER IMPROVEMENT AGREEMENTS**

The Township has entered into a sewer improvement agreement with a 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 developers cost. The Township secured funding in the form of a municipal bond in the amount of \$1,600,000 to initially fund the project. Upon depletion of the Township funds the developer was responsible for funding the remaining costs up to a maximum of \$1,539,980. The developer was given a reimbursement credit in the amount of \$1,266,300 to be repaid with the reduced tapping fees. In addition, the developer will be paid a supplemental reimbursement and a management fee which will be supplemented by a special purpose component cost added to the tapping fee. There were 3 permits worth \$5,958 in credits issued in 2020 leaving a remaining credit balance of \$1,216,652 as of December 31, 2020.

**NOTE 15 - 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 associated 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, 2020, was \$157,505.



## Newberry Township

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
 BUDGET and ACTUAL - GENERAL FUND -  
 Modified Cash Basis  
 Year Ended December 31, 2020

	Actual Amounts	Budgeted Amounts Original and Final	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 4,625,324	\$ 4,525,000	\$ 100,324
Licenses, Permits, and Fees	214,729	219,750	(5,021)
Fines and Forfeits	104,934	90,000	14,934
Interest and Rents	11,842	7,400	4,442
Intergovernmental Revenue	436,689	1,275,400	(838,711)
Charges for Services	526,118	451,475	74,643
Miscellaneous Revenue	<u>6,748</u>	<u>5,000</u>	<u>1,748</u>
<b>Total Revenues</b>	<b>5,926,384</b>	<b>6,574,025</b>	<b>(647,641)</b>
<b>EXPENDITURES</b>			
General Government	523,552	540,940	17,388
Public Safety	2,499,729	2,706,795	207,066
Public Works - Highways	743,817	1,027,950	284,133
Public Works - Other	109,645	480,000	370,355
Culture and Recreation	36,000	36,000	-0-
Debt Service	98,468	96,750	(1,718)
Pension and Other Benefits	<u>1,701,205</u>	<u>1,737,500</u>	<u>36,295</u>
<b>Total Expenditures</b>	<b>5,712,416</b>	<b>6,625,935</b>	<b>913,519</b>
<b>EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES</b>	<b>213,968</b>	<b>(51,910)</b>	<b>265,878</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund Prior Year Expenditures	34,256	25,000	9,256
Proceeds of Fixed Assets	32,938	2,500	30,438
Transfer Out	<u>(15,500)</u>	<u>(15,000)</u>	<u>(500)</u>
<b>Net Other Financing Sources</b>	<b>51,694</b>	<b>12,500</b>	<b>39,194</b>
<b>NET CHANGES in FUND BALANCES</b>	<b><u>\$ 265,662</u></b>	<b><u>\$ (39,410)</u></b>	<b><u>\$ 305,072</u></b>

See independent auditors' report.

**Newberry Township**  
 CONCISE STATEMENT for PUBLICATION -  
 Modified Cash Basis  
 Year Ended 2020

**GOVERNMENT-WIDE and FIDUCIARY FUND FINANCIAL INFORMATION**

	<b>Government- Wide</b>	<b>Fiduciary Fund</b>
<b>Total Assets</b>	<b>\$ 12,790,292</b>	<b>\$ 10,955,490</b>
<b>Total Liabilities</b>	<b><u>263,764</u></b>	<b><u>-0-</u></b>
<b>Total Net Position</b>	<b><u>12,526,528</u></b>	<b><u>10,955,490</u></b>
<b>Total Revenue</b>	<b>9,177,991</b>	<b>1,783,669</b>
<b>Total Expenses</b>	<b><u>8,369,390</u></b>	<b><u>625,769</u></b>
<b>Changes in Total Net Position</b>	<b><u>\$ 808,601</u></b>	<b><u>\$ 1,157,900</u></b>

See independent auditors' report.

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

**Police Pension Plan**

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

**Non-uniformed Employees' Pension Plan**

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

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

See independent auditors' report.