

WILLISTOWN TOWNSHIP

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2020

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Willistown Township
Malvern, Pennsylvania

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

To the Board of Supervisors
Willistown Township
Malvern, Pennsylvania

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 13, budgetary comparison information on pages 52 and 53, pension plan information on pages 54 through 56 and other postemployment benefit plan funding progress on pages 57 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willistown Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Limerick, Pennsylvania
August 10, 2021

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

This discussion and analysis of Willistown Township, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2020. Please read it in conjunction with the Township's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The assets of Willistown Township exceeded its liabilities at the close of the 2020 fiscal year by \$34,735,611 which represents the Township's net position. Of this amount, 52.96% or \$18,395,967 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$2,699,706 in 2020.
- As of December 31, 2020, the Township's combined ending fund balance for its governmental funds amounted to \$18,034,141, an increase of \$1,578,562 compared to the prior year. Approximately 64% of the total governmental fund balance, or \$11,443,423, is available for spending at the Township's discretion (unrestricted and unassigned fund balance).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position on page 14 and the Statement of Activities on page 15 provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. For governmental activities, the governmental fund statements, which begin on page 16, explain how services were financed in the short term as well as what remains for future spending. For business-type activities, the proprietary fund statements report these activities by fund with the sewer fund being the only business-type activity operated by the Township. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the Township as a whole begins on page 14 with the Statement of Net Position and on page 15 with the Statement of Activities.

These statements provide information that will help the reader determine if the Township is financially better or worse as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

These two statements report the Township's net position and the changes in net position during the year. The reader can think of the Township's net position (the difference between assets and liabilities) as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, we divide the Township into two types of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including the police, general administration, public works, permitting, zoning, code enforcement and parks & recreation. Property taxes, Earned Income Tax, real estate transfer taxes and charges for services finance most of these activities.
- **Business-type Activities** - The Township charges a fee to customers to cover all of the cost of certain services it provides. The Township's sewer funds are reported here.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds provides detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law. However, the Board of Supervisors establishes many other funds to help it control and manage money for particular purposes (Special Revenue Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Township's two types of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds: Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation on page 17 of this report.

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

Proprietary Funds: When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise fund (a component of proprietary funds) is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Township as Trustee

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as Pension Plans) are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP

Government-wide

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's total activities.

The majority of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, and the sewer collection system. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets in the amount of \$18,395,967 at December 31, 2020 may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the Township maintains an "Aa1" rating from Moody's for its current debt issuances. This is Moody's second highest rating and reflects the Township's strong financial operations, characterized by substantial reserves, a sizable and affluent tax base, and low direct debt position.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2020, the Township's assets exceeded its liabilities by \$34,735,611.

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

Table 1
Summarized Schedule of Net Position
December 31, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
ASSETS						
Current assets	\$ 18,359,634	\$ 22,278,482	\$ 5,205,759	\$ 4,711,627	\$ 23,565,393	\$ 26,990,109
Capital assets	18,926,088	18,833,604	4,887,532	4,499,894	23,813,620	23,333,498
TOTAL ASSETS	<u>37,285,722</u>	<u>41,112,086</u>	<u>10,093,291</u>	<u>9,211,521</u>	<u>47,379,013</u>	<u>50,323,607</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>948,636</u>	<u>835,577</u>	<u>-</u>	<u>-</u>	<u>948,636</u>	<u>835,577</u>
LIABILITIES						
Current liabilities	142,974	163,296	226,570	76,108	369,544	239,404
Long-term debt	9,229,171	8,382,710	4,391,975	4,112,051	13,621,146	12,494,761
TOTAL LIABILITIES	<u>9,372,145</u>	<u>8,546,006</u>	<u>4,618,545</u>	<u>4,188,159</u>	<u>13,990,690</u>	<u>12,734,165</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,301,054</u>	<u>3,689,408</u>	<u>-</u>	<u>-</u>	<u>2,301,054</u>	<u>3,689,408</u>
NET POSITION						
Net investment in capital assets	10,203,125	10,522,611	832,961	624,948	11,036,086	11,147,559
Restricted	5,064,655	5,192,085	-	-	5,064,655	5,192,085
Unrestricted	11,293,379	13,997,553	4,641,785	4,398,414	15,935,164	18,395,967
TOTAL NET POSITION	<u>\$ 26,561,159</u>	<u>\$ 29,712,249</u>	<u>\$ 5,474,746</u>	<u>\$ 5,023,362</u>	<u>\$ 32,035,905</u>	<u>\$ 34,735,611</u>

Table 2
Changes in Net Position
Year Ended December 31, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
REVENUES						
Program revenues						
Charges for services	\$ 780,164	\$ 735,491	\$ 2,240,898	\$ 2,194,301	\$ 3,021,062	\$ 2,929,792
Grants and contributions	808,385	767,696	-	-	808,385	767,696
General revenues						
Real estate taxes	357,326	374,216	-	-	357,326	374,216
Local service tax	288,840	284,141	-	-	288,840	284,141
Transfer tax	738,923	910,924	-	-	738,923	910,924
Earned income tax	7,726,836	7,494,936	-	-	7,726,836	7,494,936
Investment earnings	192,058	57,942	49,269	15,869	241,327	73,811
Other	431,400	411,473	556,645	1,531	988,045	413,004
Transfers	-	-	-	-	-	-
TOTAL REVENUES FORWARD	<u>\$ 11,323,932</u>	<u>\$ 11,036,819</u>	<u>\$ 2,846,812</u>	<u>\$ 2,211,701</u>	<u>\$ 14,170,744</u>	<u>\$ 13,248,520</u>

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

Table 2 (Continued)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
TOTAL REVENUES FORWARDED	\$ 11,323,932	\$ 11,036,819	\$ 2,846,812	\$ 2,211,701	\$ 14,170,744	\$ 13,248,520
EXPENSES						
General government	875,215	972,756	-	-	875,215	972,756
Public safety	5,991,769	4,903,943	-	-	5,991,769	4,903,943
Public works	1,564,443	1,355,029	-	-	1,564,443	1,355,029
Culture and recreation	410,575	427,052	-	-	410,575	427,052
Debt service	235,285	226,949	-	-	235,285	226,949
Sewer operations	-	-	2,473,003	2,663,085	2,473,003	2,663,085
TOTAL EXPENSES	9,077,287	7,885,729	2,473,003	2,663,085	11,550,290	10,548,814
CHANGE IN NET POSITION	2,246,645	3,151,090	373,809	(451,384)	2,620,454	2,699,706
BEGINNING NET POSITION,	24,314,514	26,561,159	5,100,937	5,474,746	29,415,451	32,035,905
ENDING NET POSITION	\$ 26,561,159	\$ 29,712,249	\$ 5,474,746	\$ 5,023,362	\$ 32,035,905	\$ 34,735,611

Governmental Activities

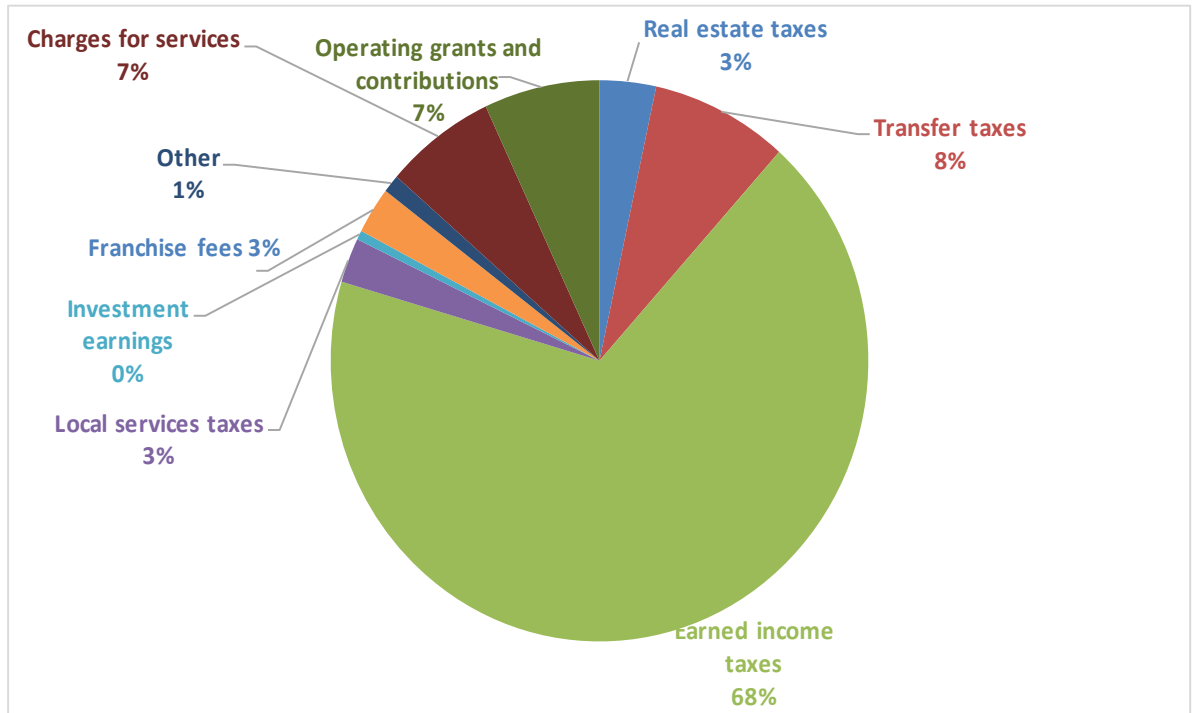
As shown in Table 1 and 2, governmental revenues exceeded governmental expenditures by \$3,151,090 in 2020 resulting in an overall increase in net position. Revenues for governmental activities decreased in 2020 by \$287,113 from the prior year. The primary factor driving the increase in net position for governmental activities is related to actuarial adjustments for the police pension and other post employment benefits.

The following graph illustrates the Township's revenue sources, with Earned Income Tax providing the major funding for our governmental activities, accounting for 68% of revenues from governmental activities. Other sources of funding for governmental activities include transfer tax, accounting for 7% of governmental revenues. Real estate and local service taxes collectively provide about 5% of governmental revenues. The Township relies on all of these revenues to provide the quality of life to citizens and businesses to which the Board of Supervisors has always been committed.

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020



Business-Type Activities

The revenues include investment income in addition to charges for services (operating revenues). The investment income revenues are not specific to an individual program, but to the fund as a whole.

As shown in Table 2, expenses exceeded revenue by \$451,384 in 2020.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

As of December 31, 2020, the Township's governmental funds reported combined ending balances of \$18,034,141, an increase of \$1,578,562 from the prior year. Approximately \$11.4 million of the governmental fund balance constitutes unrestricted and unassigned fund balance of the governmental funds, which is available for spending at the Township's discretion. The Township has restricted and assigned \$6.6 million of the governmental fund balance, which means that it is not available for new spending because it has already been designated or restricted for: 1) open space acquisition, 2) capital improvements or 3) a variety of other purposes.

The Township maintains a General Fund which serves as the chief operating fund of the Township. As of December 31, 2020, the total fund balance of the General Fund was \$11,164,562, of which \$11,159,578 is unassigned. The fund balance increased \$981,012 from the prior year, mainly due to increases of earned income tax and charges for services revenues.

The Township maintains a Capital Reserve Fund to account for capital acquisitions and construction separately from the ongoing activities. As of December 31, 2020, the fund balance totaled \$1,393,649, which is an increase of \$186,275 from the prior year.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The primary Special Revenue Fund includes the Liquid Fuels Fund. Revenue sources for these funds include special assessments, grants from the Commonwealth of Pennsylvania, and interest earnings. During 2020, the Township received \$392,466 from the Commonwealth of Pennsylvania to pay for roadway repairs and maintenance.

The financial statements for the governmental funds can be found on pages 16 through 19 of this report.

Proprietary Funds

The Township's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail.

The net position of the Sewer Fund at the end of the year amounted to \$5,023,362. The total decrease in net position was \$451,384.

The financial statements for the proprietary funds can be found on pages 20 through 22 of this report.

Fiduciary Funds

The Township maintains Pension Trust Funds, an OPEB Trust Fund and Agency Funds to account for assets held by the Township in a trustee capacity. The Pension Trust Funds' assets held pertain to the Police and Municipal Pension Plans. The OPEB Trust Fund's assets pertain to postemployment benefits other than pensions, including postemployment health insurance for police officers. The Custodial fund accounts for the escrow accounts held by the Township.

The financial statements for the fiduciary funds can be found on pages 23 and 24 of this report.

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the Township's budget and actual results can be found on pages 52 and 53. Sewer Fund budget comparisons can be found on page 61.

For 2020, there were no revisions to the General Fund budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's combined book value for its capital assets in its governmental and business-type activities as of December 31, 2020 amounts to \$23,333,498, net of accumulated depreciation. This includes land, buildings and improvements, machinery and equipment, vehicles, land improvements and infrastructure.

Long-term Debt

At December 31, 2020 the Township had \$12,414,143 in bonds outstanding (all of which is non-electoral debt) versus \$13,105,514 last year - a decrease of \$691,371.

Willistown Township maintains an "Aa1" rating from Moody's for its current debt issuances.

Additional information about the Township's long-term debt can be found in Note E of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Township maintains a conservative approach to its revenue estimates. The number of real estate sales in the Township directly impacts the real estate transfer tax but has nominal impact on real estate property tax revenue.
- The following residential land developments are in progress:
 - A portion of the Daylesford Abbey Property has been subdivided to accommodate the "Chapel Hill" development, consisting of 55 age-targeted single family dwellings, with construction anticipated to last into 2021.
 - On West Chester Pike, Willistown Point will consist of 39 luxury carriage homes, construction anticipated to last into 2022.
- The real estate tax millage of 0.28 mills is among the lowest in Chester County and remains unchanged. The property tax rate has not risen since before the turn of the century. Therefore, any new, unfunded mandates or structural changes to the underlying tax structure could have a significant impact on the millage rate.
- The Township's largest source of revenue in the General Fund is the Earned Income Tax, which has shown signs of growth in recent years.

WILLISTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

- The Earned Income Tax in the General Fund is levied at a rate of 0.875% on both residents and non-residents. All employers within the Township are required to withhold the Earned Income Tax and submit it to the Township's Earned Income Tax collector. The County-Wide Earned Income Tax Collector must transmit receipts from non-residents to the employees' place of residence. When the employees' place of residence does not impose the Earned Income Tax, Willistown retains those receipts. The Township remains concerned that one or more jurisdictions not currently imposing the Earned Income Tax may explore that option. This could result in a reduction in Earned Income Tax revenues for Willistown Township. Likewise, the Township administration remains concerned that the Great Valley School District may explore implementation of the Earned Income Tax, which would result in a 50% reduction in Earned Income Tax revenues to the Township. The Township administration will continue to monitor related events for any potential impact on Willistown's finances.
- The general outlook for the economy of Willistown Township has become unclear due to the COVID-19 pandemic. Given the uncertainty and fluidity of the situation, it is difficult to identify how much and how long the Township – and the national and global economy – will feel its impact. At the Township level, earned income tax revenue is the source of revenue most likely to be negatively affected since this revenue source is more vulnerable to economic swings. The Township has built a solid fund balance which will help with the economic impact the pandemic may cause. The Township will continue to closely monitor all revenues and expenditures to make the most prudent budgetary decisions possible.
- On January 20, 2021, the Township executed an Asset Purchase Agreement authorizing the sale of the sewer system to Aqua Pennsylvania Wastewater, Inc. for \$17.5 million under the terms and conditions contained therein. Due diligence on the proposed sale continues, expected settlement will occur sometime in the first half of 2022.

All of these factors were considered in preparing the Township's budget for the 2021 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Willistown Township's finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Open Records Officer, Willistown Township, 688 Sugartown Road, Malvern, PA 19355.

In addition, general information relating to Willistown Township can be found on its website, <http://www.willistown.pa.us>.

WILLISTOWN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 15,678,713	\$ 4,156,452	\$ 19,835,165
Accounts receivable	125,307	924,725	1,050,032
Taxes receivable	2,611,525	-	2,611,525
Internal balances	402,605	(402,605)	-
Due from Fiduciary Funds	112,936	-	112,936
Prepaid items	4,984	33,055	38,039
Net OPEB asset	1,215,998	-	1,215,998
Net pension asset	2,126,414	-	2,126,414
Capital assets not being depreciated			
Land	13,053,741	-	13,053,741
Construction in progress	57,049	-	57,049
Capital assets, net of accumulated depreciation			
Buildings and improvements	4,402,138	-	4,402,138
Infrastructure	391,465	-	391,465
Park buildings and equipment	504,304	-	504,304
Automobiles	181,049	-	181,049
Machinery and equipment	243,858	-	243,858
Sewer collection system	-	4,499,894	4,499,894
TOTAL ASSETS	41,112,086	9,211,521	50,323,607
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	427,277	-	427,277
Deferred amounts related to OPEB	408,300	-	408,300
TOTAL DEFERRED OUTFLOWS OF RESOURCES	835,577	-	835,577
LIABILITIES			
Accounts payable and other accrued liabilities	150,428	63,985	214,413
Accrued interest payable	9,275	5,094	14,369
Due to Fiduciary Funds	861	5,129	5,990
Unearned revenues	2,732	1,900	4,632
Bonds payable			
Due within one year	420,300	274,700	695,000
Due in more than one year	7,881,792	3,837,351	11,719,143
Compensated absences	80,618	-	80,618
TOTAL LIABILITIES	8,546,006	4,188,159	12,734,165
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	8,901	-	8,901
Deferred amounts related to pensions	2,411,571	-	2,411,571
Deferred amounts related to OPEB	1,268,936	-	1,268,936
TOTAL DEFERRED INFLOWS OF RESOURCES	3,689,408	-	3,689,408
NET POSITION			
Net investment in capital assets	10,522,611	624,948	11,147,559
Restricted			
Public highways and streets	460,185	-	460,185
Open space acquisitions	4,723,722	-	4,723,722
Bridges	8,178	-	8,178
Unrestricted	13,997,553	4,398,414	18,395,967
TOTAL NET POSITION	\$ 29,712,249	\$ 5,023,362	\$ 34,735,611

See accompanying notes to the basic financial statements.

WILLISTOWN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General government	\$ 972,756	\$ 26,169	\$ 246,930
Public safety	4,903,943	652,477	128,300
Public works	1,355,029	56,845	392,466
Culture and recreation	427,052	-	-
Debt service	226,949	-	-
TOTAL GOVERNMENTAL ACTIVITIES	7,885,729	735,491	767,696
BUSINESS-TYPE ACTIVITIES			
Sewer	2,663,085	2,194,301	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,663,085	2,194,301	-
TOTAL TOWNSHIP ACTIVITIES	\$ 10,548,814	\$ 2,929,792	\$ 767,696

GENERAL REVENUES

- Taxes
 - Real estate
 - Transfer tax
 - Earned income tax
 - Local service tax
- Franchise fees
- Investment earnings
- Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (699,657)	\$ -	\$ (699,657)
(4,123,166)	-	(4,123,166)
(905,718)	-	(905,718)
(427,052)	-	(427,052)
<u>(226,949)</u>	<u>-</u>	<u>(226,949)</u>
(6,382,542)	-	(6,382,542)
<u>-</u>	<u>(468,784)</u>	<u>(468,784)</u>
<u>-</u>	<u>(468,784)</u>	<u>(468,784)</u>
<u>(6,382,542)</u>	<u>(468,784)</u>	<u>(6,851,326)</u>
374,216	-	374,216
910,924	-	910,924
7,494,936	-	7,494,936
284,141	-	284,141
297,822	-	297,822
57,942	15,869	73,811
113,651	1,531	115,182
<u>9,533,632</u>	<u>17,400</u>	<u>9,551,032</u>
3,151,090	(451,384)	2,699,706
<u>26,561,159</u>	<u>5,474,746</u>	<u>32,035,905</u>
<u>\$ 29,712,249</u>	<u>\$ 5,023,362</u>	<u>\$ 34,735,611</u>

WILLISTOWN TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	General Fund	Open Space Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,709,438	\$ 4,835,288	\$ 1,466,560	\$ 667,427	\$ 15,678,713
Taxes receivable	2,340,172	271,353	-	-	2,611,525
Other accounts receivable	125,307	-	-	-	125,307
Prepaid expenses	4,984	-	-	-	4,984
Due from other funds	766,379	-	-	-	766,379
Due from fiduciary funds	112,936	-	-	-	112,936
TOTAL ASSETS	\$ 12,059,216	\$ 5,106,641	\$ 1,466,560	\$ 667,427	\$ 19,299,844
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 136,594	\$ -	\$ 13,834	\$ -	\$ 150,428
Due to fiduciary funds	861	-	-	-	861
Due to other funds	105,633	-	59,077	199,064	363,774
TOTAL LIABILITIES	243,088	-	72,911	199,064	515,063
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue, taxes	651,566	99,074	-	-	750,640
FUND BALANCES					
Nonspendable	4,984	-	-	-	4,984
Restricted					
Public highways and streets	-	-	-	460,185	460,185
Open space acquisitions	-	4,723,722	-	-	4,723,722
Bridges	-	-	-	8,178	8,178
Assigned					
Capital purchases	-	-	1,393,649	-	1,393,649
Unassigned	11,159,578	283,845	-	-	11,443,423
TOTAL FUND BALANCES	11,164,562	5,007,567	1,393,649	468,363	18,034,141
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,059,216	\$ 5,106,641	\$ 1,466,560	\$ 667,427	\$ 19,299,844

See accompanying notes to the basic financial statements.

WILLISTOWN TOWNSHIP

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

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 18,034,141
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Land	13,053,741
Construction in progress	57,049
Buildings and improvements	5,407,383
Infrastructure	568,042
Park buildings and equipment	1,030,408
Automobiles	1,303,995
Machinery and equipment	1,409,563
Accumulated depreciation	(3,996,577)
Other long-term assets are not available to pay current period expenditures and are deferred in the funds	
	747,908
Net pension asset and net OPEB asset and the related deferred outflows and inflows are not recorded in the Governmental Funds; however, these items are reported in the government-wide financial statements. These consist of:	
Net pension asset	2,126,414
Deferred amounts related to pensions	(1,984,294)
Net OPEB asset	1,215,998
Deferred amounts related to OPEB	(860,636)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds payable	(8,302,092)
Deferred gain on bond refunding	(8,901)
Accrued interest payable	(9,275)
Compensated absences	(80,618)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 29,712,249</u>

See accompanying notes to the basic financial statements.

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

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes					
Real estate taxes	\$ 374,216	\$ -	\$ -	\$ -	\$ 374,216
Local services tax	288,007	-	-	-	288,007
Real estate transfer tax	910,924	-	-	-	910,924
Earned income tax	6,978,678	833,005	-	-	7,811,683
Fines, forfeitures and other costs	22,461	-	-	-	22,461
Cable franchise fees	297,822	-	-	-	297,822
Interest, dividends and rents	35,754	16,414	3,792	1,982	57,942
Intergovernmental	375,230	-	-	392,466	767,696
Park and recreation fees	1,405	-	-	-	1,405
Charges for services	693,385	-	-	-	693,385
Miscellaneous	129,778	-	-	2,113	131,891
TOTAL REVENUES	<u>10,107,660</u>	<u>849,419</u>	<u>3,792</u>	<u>396,561</u>	<u>11,357,432</u>
EXPENDITURES					
General government	1,477,609	12,820	4,924	-	1,495,353
Public safety	5,689,401	-	97,830	-	5,787,231
Public works	991,558	-	178,941	266,081	1,436,580
Culture and recreation	381,575	-	35,822	3,050	420,447
Debt service					
Principal payment	58,500	350,000	-	-	408,500
Interest and other charges	28,005	202,754	-	-	230,759
TOTAL EXPENDITURES	<u>8,626,648</u>	<u>565,574</u>	<u>317,517</u>	<u>269,131</u>	<u>9,778,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,481,012	283,845	(313,725)	127,430	1,578,562
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	500,000	-	500,000
Transfers out	(500,000)	-	-	-	(500,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	981,012	283,845	186,275	127,430	1,578,562
FUND BALANCES AT BEGINNING OF YEAR	<u>10,183,550</u>	<u>4,723,722</u>	<u>1,207,374</u>	<u>340,933</u>	<u>16,455,579</u>
FUND BALANCES AT END OF YEAR	<u>\$ 11,164,562</u>	<u>\$ 5,007,567</u>	<u>\$ 1,393,649</u>	<u>\$ 468,363</u>	<u>\$ 18,034,141</u>

See accompanying notes to the basic financial statements.

WILLISTOWN TOWNSHIP

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,578,562

Purchases of capital assets are considered expenditures in the Governmental Funds but are capitalized as assets in the statement of net position. Further, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$288,885) is exceeded by depreciation expense (\$381,369) in the current period. (92,484)

Because some taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Total taxes deferred decreased by the following in the current period. (320,613)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the Governmental Funds. 1,546,945

Repayments of debt principal or long-term liabilities is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond principal payments	408,500
Accrued interest	340
Compensated absences	26,370
Amortization of deferred charges and bond premium	<u>3,470</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,151,090

See accompanying notes to the basic financial statements.

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

	<u>Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,156,452
Due from other funds	153
Accounts receivable	924,725
Prepaid expenses	<u>33,055</u>
TOTAL CURRENT ASSETS	<u>5,114,385</u>
NONCURRENT ASSETS	
Sewer collection system	8,780,458
Less accumulated depreciation	<u>(4,280,564)</u>
TOTAL NONCURRENT ASSETS	<u>4,499,894</u>
TOTAL ASSETS	<u>\$ 9,614,279</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 63,985
Bonds payable	274,700
Due to fiduciary funds	5,129
Due to other funds	402,758
Unearned revenue	1,900
Accrued Interest	<u>5,094</u>
TOTAL CURRENT LIABILITIES	<u>753,566</u>
NONCURRENT LIABILITIES	
Bonds payable	<u>3,837,351</u>
TOTAL LIABILITIES	<u>4,590,917</u>
NET POSITION	
Net investment in capital assets	624,948
Unrestricted	<u>4,398,414</u>
TOTAL NET POSITION	<u>5,023,362</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,614,279</u>

See accompanying notes to the basic financial statements.

WILLISTOWN TOWNSHIP

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

	<u>Sewer Fund</u>
OPERATING REVENUES	
Sewer charges	\$ <u>2,165,781</u>
OPERATING EXPENSES	
Sewage treatment	1,134,500
Operations and maintenance	665,216
General and administrative	255,046
Depreciation and amortization	494,389
TOTAL OPERATING EXPENSES	<u>2,549,151</u>
OPERATING LOSS	<u>(383,370)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	15,869
Interest expense	(113,934)
Other	30,051
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(68,014)</u>
CHANGE IN NET POSITION	(451,384)
NET POSITION AT BEGINNING OF YEAR	<u>5,474,746</u>
NET POSITION AT END OF YEAR	<u>\$ <u>5,023,362</u></u>

See accompanying notes to the basic financial statements.

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

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,129,133
Cash payments to employees for services	(400,119)
Cash payments to vendors for goods and services	<u>(1,786,766)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(57,752)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(106,751)
Bond principal payments	(279,924)
Interest paid	(114,156)
State reimbursements and other	30,051
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(470,780)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>15,869</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(512,663)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,669,115</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,156,452</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (383,370)
Adjustment for noncash charges to operations	
Depreciation and amortization	494,389
Changes in assets and liabilities	
Increase in accounts receivable	(36,648)
Decrease in accounts payable	(150,240)
Increase in due to/from other funds, net	<u>18,117</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (57,752)</u>

See accompanying notes to the basic financial statements.

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

	<u>Police Pension Trust Fund</u>	<u>Municipal Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Custodial Fund</u>
ASSETS				
Cash and cash equivalents	\$ 40,715	\$ -	\$ -	\$ 329,552
Investments	21,511,843	1,461,077	5,125,435	-
Due from Township	-	4,553	-	1,437
Prepaid benefits	<u>54,289</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>21,606,847</u>	<u>1,465,630</u>	<u>5,125,435</u>	<u>330,989</u>
LIABILITIES				
Due to Township	<u>7,982</u>	<u>-</u>	<u>-</u>	<u>104,954</u>
NET POSITION				
Restricted for pension and OPEB benefits	21,598,865	1,465,630	5,125,435	-
Restricted for custodial purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,035</u>
TOTAL NET POSITION	<u>\$ 21,598,865</u>	<u>\$ 1,465,630</u>	<u>\$ 5,125,435</u>	<u>\$ 226,035</u>

See accompanying notes to the basic financial statements.

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

	Police Pension Trust Fund	Municipal Pension Trust Fund	OPEB Trust Fund	Custodial Fund
ADDITIONS				
Contributions				
Employer	\$ 613,169	\$ 84,636	\$ 132,023	\$ -
Commonwealth of Pennsylvania	236,344	-	-	-
Plan members	80,900	-	-	-
Developers	-	-	-	220,711
TOTAL CONTRIBUTIONS	<u>930,413</u>	<u>84,636</u>	<u>132,023</u>	<u>220,711</u>
Investment income				
Interest and dividends	320,426	-	80,152	1,028
Realized and unrealized gain on investments	2,808,250	147,440	724,905	-
Investment expenses	(24,598)	-	(5,752)	-
INVESTMENT INCOME, net	<u>3,104,078</u>	<u>147,440</u>	<u>799,305</u>	<u>1,028</u>
TOTAL ADDITIONS	<u>4,034,491</u>	<u>232,076</u>	<u>931,328</u>	<u>221,739</u>
DEDUCTIONS				
Benefits	918,734	118,238	-	-
Escrow payments	-	-	-	332,261
TOTAL DEDUCTIONS	<u>918,734</u>	<u>118,238</u>	<u>-</u>	<u>332,261</u>
CHANGE IN NET POSITION	3,115,757	113,838	931,328	(110,522)
NET POSITION AT BEGINNING OF YEAR	<u>18,483,108</u>	<u>1,351,792</u>	<u>4,194,107</u>	<u>336,557</u>
NET POSITION AT END OF YEAR	<u>\$ 21,598,865</u>	<u>\$ 1,465,630</u>	<u>\$ 5,125,435</u>	<u>\$ 226,035</u>

See accompanying notes to the basic financial statements.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Willistown Township (“Township” or “Willistown”) is a second class township consisting of approximately 18 square miles, located in the eastern part of Chester County, Pennsylvania, five miles east of West Chester and approximately twenty miles from Philadelphia. Originally settled by Lenape Indians, Willistown was part of the 50,000 acre Welsh Tract surveyed by William Penn in 1684 and became a township in year 1704. The Township is governed by a three member Board of Supervisors and operates under the Willistown Township Administrative Code.

In accordance with the Governmental Accounting Standards Board (“GASB”), the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Township is financially accountable. Willistown has also considered all other potential organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township’s financial statements to be misleading or incomplete. Based on the criteria set forth by the GASB, there are no other organizations or agencies which should be included in these basic financial statements.

Pension Plans

The Pension Plans are single employer defined benefit pension plans that provides pensions for all full-time employees and police officers. Although the plans are separate legal entities they are reported as if they are part of the government as they are governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plans are reported as a fiduciary fund.

Basis of Presentation and Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-Wide Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. In general, the effect of interfund activity has been eliminated from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The statement of activities demonstrates the degree to which direct expenses of a given function are offset mostly by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the government-wide statement of net position and the statement of activities, information is presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported. For the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of the related cash flows.

Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead, as general revenues.

Fund Financial Statements - The accounting system of the Township is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, revenues, and expenditures.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

In the fund financial statements, the funds are presented using the modified-accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. "Measurable" means that the amounts can be estimated or otherwise determined. The term "available" is limited to collection within 60 days of the fiscal year end. Expenses are recorded at the time liabilities are incurred.

Their reported fund balances (net current position) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt (including bond premiums and discounts) are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, earned income tax, local services tax, franchise taxes and investment earnings are recorded as earned, since they are measurable and available for the next fiscal year. All other revenue items are not considered to be measurable and available until the cash is actually received.

Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major Governmental Funds:

General Fund - The Township's primary operating fund which accounts for all financial resources except those that are legally or administratively required to be accounted for in another fund.

Capital Reserve Fund - Accounts for accumulated excess funds which are used at the discretion of the Board of Supervisors for major capital acquisitions and construction.

Open Space Fund - Accounts for financial resources to be used for the acquisition of land, parkland, natural resource protection and open space for the benefit of the public.

The Township aggregates all nonmajor funds and reports the total in a separate column. Other governmental funds that the Township considers nonmajor funds are as follows:

State Highway Fund - Required by state law to account for receipts from the State Motor License Fund and the transfer of funds to the General Fund to cover allowable highway related expenditures.

Bartram Bridge Preservation Fund - Accounts for the costs associated with the preservation of the old covered bridge that is shared between the Township and Newtown Square.

Proprietary/Enterprise Fund - Enterprise Funds fall under the umbrella of Proprietary Funds which account for operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods and services are financed or recovered through user charges. The Township maintains one Enterprise Fund which is the Sewer Fund.

Like the government wide financial statements, proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recorded when the liability is incurred, or economic asset used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and goods in connection with the proprietary fund's principal operations.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the Township's Sewer Fund are charges to customers for sewer rents. Operating expenses include the related treatment expense along with maintenance and administrative charges. Investment income and interest payments are treated as nonoperating income and expenses and are included under capital and related financing and investment activities in the Statement of Cash Flows.

Fiduciary Funds - Account for assets held by the Township in their capacity as trustee or as an agent for individuals, private organizations, other governments, and other funds. The Township includes the following as fiduciary funds:

- Police Pension Fund - Accounts for the pension plan contributions and payment of retirement benefits for its police officers.
- Municipal Pension Fund - Accounts for the pension plan contributions and payment of retirement benefits for its non-uniformed employees.
- OPEB Trust Fund - Accounts for the post-employment benefits plan contributions and payment of post-employment benefits for its police officers.
- Custodial Funds – The Township Custodial fund includes activity of the escrow funds. The fund is used to account for monies held by the Township for developer escrow deposits.

Budget - Pursuant to the Township's Administrative Code, the following budget procedures are followed:

- Budgets are legally adopted on an annual basis and are required for all funds except Trust and Custodial Funds.
- The Manager shall prepare an operating budget and submit it to the Board, not less than 45 days before the close of each fiscal year.
- After the budget has been available for public inspection for twenty days, the board shall, after making revisions as appropriate, adopt the final budget before the end of the current fiscal year.
- All annual appropriations lapse at the end of each fiscal year. However, at any time, the Board may authorize supplemental appropriations for operating expenditures if the Township Manager certifies that additional revenues are available for such purpose.
- The Board may make supplemental appropriations to meet an emergency and may issue temporary notes, in accordance with the Local Government Unit Debt Act, for such purpose.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - Cash and cash equivalents include demand deposits, money market funds, and all highly liquid investments with an original maturity date of ninety days or less unless they are included as a component of an investment account and with no restrictions on withdrawal. Cash equivalents are stated at cost, which approximates market.

Investments - Mutual funds and equity securities are reported at fair value in accordance with their net asset value or quoted market prices at the balance sheet date.

Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investments, it is at least possible that changes in risks in the near term could materially affect investment balances.

Receivables -The Township files a lien against any property for which current real estate taxes are not paid by December 31. Liens are also filed against properties for unpaid sewer bills. The Township has determined that all receivables are fully collectible and no allowance for doubtful accounts has been established.

Interfund Transactions - In connection with financing its operations, the Township conducts interfund transactions. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2020, appropriate interfund receivables or payables have been established.

Property, Plant and Equipment - Capital assets consist of land, buildings, improvements, machinery and equipment and are reported in the applicable governmental or business-type activities columns in the government- wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial cost of \$10,000 or more or infrastructure construction of \$25,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost except for donated capital assets which are recorded at their fair value at the time of the donation.

Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Replacements and betterments which increase the service capacity or prolong the service life beyond that originally contemplated are capitalized.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

Infrastructure	20 years
Buildings and equipment	7 to 40 years
Sewer collection system	40 years
Machinery and equipment	5 to 10 years
Automobiles	5 to 7 years
Computer hardware and software	3 to 5 years

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premiums - In both the government-wide and the proprietary fund financial statements, bond premiums are deferred and amortized over the life of the bonds using the straight line method. Long-term debt is reported net of the applicable bond premium.

Bond issuance costs are reported as expenditures in the year in which they are occurred. In the fund financial statements, the debt proceeds and bond premiums are reported as other financing sources.

Compensated Absences - Uniform and non-uniform employees accumulate vacation and sick time based on certain eligibility requirements and years of service. Employees are allowed to carryover and/or elect to be paid for a certain portion of unused vacation time. Upon retirement, death or termination, the Township will pay for all unused vacation. No Township provision exists for the payment of unused sick time upon termination of employment. Vacation pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if they are the result of an employee resignation or termination.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and differences between expected and actual experience of the pension plan. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions and differences between expected and actual experience of the plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has four items that qualifies for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred amount on refunding is reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and differences between projected and actual earnings on pension plan investments. The deferred inflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the plan.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, the Township classifies its governmental fund balances into specifically defined classifications: restricted, committed, assigned, or unassigned. The Township permits funds to be expended in the following order: Committed, Assigned, and Unassigned. The following is an explanation of the various classifications:

Nonspendable Fund Balance - Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form - such as prepaid insurance or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - Restricted fund balances are restricted when constraints placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Township and cannot be used for any other purpose unless the Township removes those constraints by taking the same type of action (e.g., legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. The Board of Supervisors has the ability to commit funds for the Township. As of December 31, 2020, there were no committed balances.

Assigned Fund Balance - Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Township Manager or (b) an appointed body (e.g., a budget or finance committee) or official to which the Township has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Township itself.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position represents the difference between assets and liabilities and deferred inflows and outflows in the government-wide financial statements and proprietary and fiduciary fund financial statements. Net investment in capital assets represents capital assets, reduced by any outstanding debt obligations and deferred inflows of resources related to the acquisition, construction or improvement of those assets and increases by balances of deferred outflows of resources related to those assets. Net position is reported as restricted when limitations are imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted Net Position consists of net assets that do not meet the definition of "Restricted" or "Net investment in capital assets."

Real Estate Tax - Property taxes are levied on November 15 for general purposes on assessed value of real estate for which the 2020 assessment amounted to 0.28 Mills. The tax calendar follows:

Initial billing	February 1
Discount period	February 1 to March 31
Face period	April 1 to May 31
Penalty period	June 1 to December 31
Lien date	December 31

Local Earned Income Tax - In 1980, the Township imposed an earned income tax in the amount of 0.875% on all residents and nonresidents. In 1999, the Township increased the earned income tax by 0.125% designated as an element to be used for preservation and protection of open space, farmlands, parklands, and natural historic and scenic resources. The 0.125% element of earned income tax is payable only by residents of the Township.

Franchise Fees - The Township is engaged in a franchise fee arrangement with Verizon and Comcast for cable television services provided. Comcast and Verizon remit 5% of their gross revenue to Willistown.

Sewer Rates - In accordance with Ordinance 4 of 2007, residential and commercial customers are billed on a quarterly basis (January, April, July and October). The Sewer Fund is used to account for transactions related to the billing and collection of the sanitary sewer fees and expenditures related to the collection, conveyance and treatment of wastewater.

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

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE B - DEPOSITS AND INVESTMENTS

Deposits - In accordance with Section 708 of the Pennsylvania Second Class Township Code, the Township is required to deposit funds in banking institutions, located in the Commonwealth that are either insured with the Federal Deposit Insurance Corporation (“FDIC”) or with the National Credit Union Share Insurance Fund (“NCUSIF”). Willistown maintains its deposits at four financial institutions. Three of the institutions provides FDIC coverage of \$250,000 per depositor.

Deposits in excess of FDIC limits are secured by way of state law which requires all deposits in financial institutions in excess of federal insurance limits be fully collateralized by obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Pennsylvania Act 72 of 1971, as amended, permits banking institutions to satisfy this collateralization requirement by pooling securities pledged as collateral for public funds on deposit.

The Township utilizes a purchasing card program offered by the Pennsylvania Local Government Investment Trust (“PLGIT”) in which employees use a debit card with certain credit limits to make purchases. A PLGIT account, designated in the Township’s name, is used to operate this program. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share. PLGIT is also rated by a nationally recognized statistical rating organization and is subject to an independent annual audit, however there is no assurance that the net asset value will not vary from the \$1 per share. Additionally, since PLGIT is not a bank, it cannot use Act 72 to collateralize investments of its participants. The Township’s PLGIT account has been included with cash and cash equivalents in these financial statements.

At December 31, 2020, the bank balance of all Township funds on deposit with financial institutions, including Trust and Fiduciary Funds totaled \$20,568,621, of which, \$750,000 was covered by FDIC and \$19,797,276 was covered under Pennsylvania Act 72. The \$21,345 balance in the PLGIT money market account at December 31, 2020 was not covered by either FDIC or PA Act 72.

Investments - With the exception of the pension trust funds, state law authorizes the Township to invest in (1) United States Treasury Bills, (2) direct obligations of the United States and certain federal agencies, (3) cash accounts which are insured by the FDIC or by the NCUSIF, (4) money market funds that only trade in investments listed in items (1) through (3), or (5) certificates of deposit that are FDIC or NCUSIF insured. Investments held as of December 31, 2020 follow:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than 1 Year</u>
FIDUCIARY ACTIVITIES		
Fixed income mutual funds	\$ 7,946,860	\$ 7,946,860
Stocks and stock mutual funds	<u>20,151,495</u>	<u>20,151,495</u>
	<u>\$ 28,098,355</u>	<u>\$ 28,098,355</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township has Level 1 investments valued at quoted market prices consisting of fixed income mutual funds of \$7,946,860 and stocks and stock mutual funds of \$20,151,495.

Concentration of Credit Risk - More than 5% of the Township's investments are in fixed income mutual funds and stocks and stock mutual funds. These investments are 28% and 72%, respectively, of the Township's total investments.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's formal investment policy does not address interest rate risk.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. Government are not considered to have a credit risk attribute. As of December 31, 2020, the Township invested in cash, fixed income mutual funds, stocks and stock mutual funds all of which do not contain a credit rating.

The Township does not have a formal policy that addresses custodial credit risk, interest rate risk, or credit risk; however, the Township adheres to Commonwealth of Pennsylvania statutes and prudent business practices.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE C - CAPITAL ASSETS

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

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
	<u>2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>2020</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 13,053,741	\$ -	\$ -	\$ 13,053,741
Construction in progress	-	57,049	-	57,049
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>13,053,741</u>	<u>57,049</u>	<u>-</u>	<u>13,110,790</u>
Capital assets being depreciated				
Buildings and improvements	5,407,383	-	-	5,407,383
Infrastructure	454,981	113,061	-	568,042
Park buildings and equipment	994,586	35,822	-	1,030,408
Automobiles	1,221,042	82,953	-	1,303,995
Machinery and equipment	1,409,563	-	-	1,409,563
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>9,487,555</u>	<u>231,836</u>	<u>-</u>	<u>9,719,391</u>
Accumulated depreciation				
Buildings and improvements	(869,172)	(136,073)	-	(1,005,245)
Infrastructure	(148,175)	(28,402)	-	(176,577)
Park buildings and equipment	(482,999)	(43,105)	-	(526,104)
Automobiles	(1,003,474)	(119,472)	-	(1,122,946)
Machinery and equipment	(1,111,388)	(54,317)	-	(1,165,705)
TOTAL ACCUMULATED DEPRECIATION	<u>(3,615,208)</u>	<u>(381,369)</u>	<u>-</u>	<u>(3,996,577)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>5,872,347</u>	<u>(149,533)</u>	<u>-</u>	<u>5,722,814</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, net	<u>\$ 18,926,088</u>	<u>\$ (92,484)</u>	<u>\$ -</u>	<u>\$ 18,833,604</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE C - CAPITAL ASSETS (Continued)

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Sewer collection system	\$ 8,673,707	\$ 106,751	\$ -	\$ 8,780,458
Accumulated depreciation				
Sewer collection system	<u>(3,786,175)</u>	<u>(494,389)</u>	<u>-</u>	<u>(4,280,564)</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, net	<u>\$ 4,887,532</u>	<u>\$ (387,638)</u>	<u>\$ -</u>	<u>\$ 4,499,894</u>

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

GOVERNMENTAL ACTIVITIES		
General government		\$ 60,993
Public works		81,261
Police		196,010
Parks and recreation		<u>43,105</u>
		<u>\$ 381,369</u>

All of the depreciation expense in business-type activities was charged to the sewer fund.

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Balances due to/from other funds at December 31, 2020 consist of the following:

	Due from Other Funds	Due to Other Funds
GOVERNMENTAL FUNDS		
General Fund	\$ 766,379	\$ 105,633
Open Space Fund	-	-
State Highway Fund	-	199,064
Capital Reserve Fund	-	59,077
BUSINESS-TYPE ACTIVITIES		
Sewer Fund	<u>153</u>	<u>402,758</u>
	<u>\$ 766,532</u>	<u>\$ 766,532</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund balances generally result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The composition of interfund transfers included in the basic financial statements is as follows:

	Transfer Out	Transfer In
General Fund	\$ 500,000	\$ -
Capital Reserve Fund	-	500,000
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

NOTE E - LONG-TERM DEBT

On October 22, 2012, General Obligation Bonds, Series 2012, in the amount of \$9,405,000 were issued for the purpose of currently refunding the 2007 General Obligation Bonds and to pay the costs of issuing the bonds.

On June 20, 2013, General Obligation Bonds, Series 2013, in the amount of \$7,325,000 were issued for the purposes of refunding the 2001 and 2008 General Obligation Bonds to fund the construction of the police building and sewer system improvements, and to pay the costs of issuing the bonds.

A summary of the bonds and note payable activity for the year ended December 31, 2020 follows:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds					
Series of 2012	\$ 7,740,000	\$ -	\$ (350,000)	\$ 7,390,000	\$ 360,000
Series of 2013	943,200	-	(58,500)	884,700	60,300
Premiums on bonds	30,339	-	(2,947)	27,392	-
Net pension liability	408,644	-	(408,644)	-	-
Compensated absences	106,988	-	(26,370)	80,618	-
	<u>9,229,171</u>	<u>-</u>	<u>(846,461)</u>	<u>8,382,710</u>	<u>420,300</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES					
	<u>\$ 9,229,171</u>	<u>\$ -</u>	<u>\$ (846,461)</u>	<u>\$ 8,382,710</u>	<u>\$ 420,300</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds					
Series of 2013	\$ 4,296,800	\$ -	\$ (266,500)	\$ 4,030,300	\$ 274,700
Premiums on bonds	95,175	-	(13,424)	81,751	-
	<u>4,391,975</u>	<u>-</u>	<u>(279,924)</u>	<u>4,112,051</u>	<u>274,700</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES					
	<u>\$ 4,391,975</u>	<u>\$ -</u>	<u>\$ (279,924)</u>	<u>\$ 4,112,051</u>	<u>\$ 274,700</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE E - LONG-TERM DEBT (Continued)

Scheduled future principal and interest maturities with respect to all bond obligations at December 31, 2020 follow:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 695,000	\$ 344,845	\$ 1,039,845
2022	700,000	330,945	1,030,945
2023	715,000	316,945	1,031,945
2024	725,000	302,118	1,027,118
2025	745,000	286,357	1,031,357
2026 to 2030	3,985,000	1,148,987	5,133,987
2031 to 2035	3,685,000	498,491	4,183,491
2036 to 2037	1,055,000	52,470	1,107,470
	<u>\$ 12,305,000</u>	<u>\$ 3,281,158</u>	<u>\$ 15,586,158</u>

The future principal and interest maturities allocation between the governmental and business-type funds is summarized below:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 420,300	\$ 222,595	\$ 274,700	\$ 122,250
2022	425,300	214,189	274,700	116,756
2023	436,200	205,683	278,800	111,262
2024	442,100	196,711	282,900	105,407
2025	453,900	187,174	291,100	99,183
2026 to 2030	2,427,000	770,038	1,558,000	378,949
2031 to 2035	2,614,900	411,899	1,070,100	86,592
2036 to 2037	1,055,000	52,470	-	-
	<u>\$ 8,274,700</u>	<u>\$ 2,260,759</u>	<u>\$ 4,030,300</u>	<u>\$ 1,020,399</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description

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

Management of the Police Pension Plan is vested in the Board of Township Supervisors. The Township Supervisors are responsible for advising, reviewing, monitoring and making recommendations as to the administrative, operation and investment of the Police Pension Plan. The Board of Township Supervisors has delegated the authority to manage Plan assets to the Vanguard Group.

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

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>12</u>
	<u><u>30</u></u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Benefits Provided

Eligibility Requirements - A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of service. A member is eligible for early retirement after 20 years of services under Act 24. Members are 100% vested after 12 years of service.

Retirement Benefit - 50% of final 36 months of average compensation plus a service increment of an additional \$100 per month for the completion of 26 or more years of service up to a maximum of \$100 per month.

Survivor Benefit - If retired or eligible for retirement or vested - 65% of benefit to surviving spouse or child under age 23, commencing at member's normal retirement date. The survivor of a member who is not vested shall receive a return of employee contributions plus interest.

Disability Benefit Service Related - 65% of salary at time of disability offset by social security benefits received for same injury, reduced to 50% at normal retirement date.

Post Retirement Adjustments - Members retiring after January 1, 1997 will receive a cost of living increase provided in accordance with Act 600 subject to a 10% lifetime cap. Effective January 1, 2000, the cap was increased to 30%.

Pre Act 44 Deferred Retirement Option Program - An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 60 months.

Contributions - The authority under which obligations to contribute to the Police Pension Plan by the plan members, employer and other contributing entities are established or may be amended include Act 600 and Act 205 (the "Act") of the Commonwealth of Pennsylvania and Willistown Township Ordinances. The Act requires that annual contributions be based upon the calculation of the minimum municipal obligation ("MMO"). The MMO is based upon the biennial actuarial valuation.

As a condition of participation, participants are required to make contributions to the Plan. The amount of the contribution is equal to 5% of the participant's pay.

The Township allocates state aid received from the Commonwealth of Pennsylvania to the Plan. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures/expenses during the period. To the extent that these fundings are not adequate, the Township would then be required to contribute. In accordance with Act 205, the Township was required to contribute \$849,513 to the plan for the year 2020. The Township's actual contributions for the plan year 2020 were \$849,513.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors, with input from the Pension Advisory Board. It is the policy of the Township Board of Supervisors to pursue an investment strategy that reduces risk while maximizing returns through prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The following was the Committee's adopted asset allocation policy as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	49%
International stocks	21%
Bonds	<u>30%</u>
	<u>100%</u>

Concentrations - At December 31, 2020, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total pension liability	\$ 19,474,930
Plan fiduciary net position	<u>(21,601,344)</u>
NET PENSION ASSET	<u>\$ (2,126,414)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>110.92%</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation at January 1, 2019 with update procedures used to roll forward to the plan's fiscal plan year ending December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	6.75%

Mortality rates were based on the Blue Collar RP-2000 Mortality Table with generational improvement using Scale BB.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

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) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2020 (see the plan's investment policy) are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	2.40%
International stocks	5.50%
Bonds	0.00%

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

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2019	\$ 18,891,752	\$ 18,483,108	\$ 408,644
Changes for the year			
Service cost	320,205	-	320,205
Interest cost	1,265,530	-	1,265,530
Changes for experience	(75,841)	-	(75,841)
Changes of assumptions	-	-	-
Contributions			
Employer	-	849,513	(849,513)
Member	-	91,361	(91,361)
Net investment income	-	3,104,078	(3,104,078)
Benefit payments	(926,716)	(926,716)	-
Net changes	<u>583,178</u>	<u>3,118,236</u>	<u>(2,535,058)</u>
Balances at December 31, 2020	<u>\$ 19,474,930</u>	<u>\$ 21,601,344</u>	<u>\$ (2,126,414)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 6.75%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	<u> </u>	<u> </u>	<u> </u>
Net pension asset	\$ <u>400,767</u>	\$ <u>(2,126,414)</u>	\$ <u>(4,210,049)</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Township recognized pension expense of (\$363,275). At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 126,496	\$ 124,618
Changes in assumptions	300,781	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,286,953</u>
TOTAL	<u>\$ 427,277</u>	<u>\$ 2,411,571</u>

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

<u>Year Ending December 31,</u>	
2021	\$ (572,177)
2022	(230,542)
2023	(810,376)
2024	(371,199)

Deferred Option Retirement Program (“DROP”) - An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 60 months. The monthly pension shall be calculated as of the date of the participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of the DROP. As of December 31, 2020, there were four members participating in the DROP program. The balance of the amounts held by the Plan pursuant to the DROP was \$555,202.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE G - NON-UNIFORM PENSION PLAN

Plan Description

The Willistown Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan which provides benefits for its non-uniform employees. In a defined contribution plan, the benefits to be received by an employee depend solely on the amount contributed to the participant's account and related returns on investments of those contributions. The Plan was established by Ordinance 5-1985 effective January 1, 1985. The Plan was restated by Ordinance No. 6 of 1995, as amended effective January 18, 1995. The Plan is governed by the Board of Township Supervisors which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Township Supervisors has delegated the authority to manage certain Plan assets to Nationwide Investment Services Corporation. The Plan does not issue separate, stand-alone financial statements.

Funding Policy

The Township will contribute into the Plan, for each eligible Participant, an amount equal to 6.0% of their covered compensation. Participants are not required to contribute to the Plan; however, voluntary contributions are permitted. In addition to the Township contribution made to Participant's account, their account will be credited annually with the pro-rata share of the investment earnings or losses of the Plan and any investment related expenses. The Township, if eligible, may allocate State Aid received from the Commonwealth of Pennsylvania to the Plan. Forfeitures due to non-vested terminations are to be used to reduce the Township's contributions to the Plan. To the extent that these fundings are not adequate to cover the Township's obligation to the Plan, the Township would then be required to contribute.

The Township made contributions of \$84,636 for the year ending December 31, 2020.

At December 31, 2020, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Summary of Significant Accounting Policies - The OPEB Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's OPEB Plan is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Plan Description - The Township offers a single-employer defined benefit healthcare plan providing medical, dental, and vision insurance benefits through the Township’s group health insurance plan to eligible police officers. Additionally, certain eligible Township employees and former police chiefs are also covered by the plan and are allowed to continue the same coverage they received prior to retirement for the remainder of their lives including Medicare supplement payments that are due after age 65. The plan does not issue a publicly available financial report.

Management of the Plan is vested in the Board of Township Supervisors. The Township Supervisors are responsible for advising, reviewing, monitoring and making recommendations as to the administrative, operation and investment of the Police Pension Plan. The Board of Township Supervisors has delegated the authority to manage Plan assets to Wells Fargo.

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

Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
	<u><u>25</u></u>

Benefits Provided - Upon retirement at age 50 and the completion of 25 years of service, a police officer would be entitled to single health coverage from his date of retirement to age 65. In addition, former police chiefs are allowed to continue the same coverage they received prior to their retirement for the rest of their life. This would include and Medicare supplement payments that would be due after age 65.

Funding Policy - Member contributions are not required under the plan. The contribution requirements of plan members are established and may be amended by the Board of Supervisors. The Township is accounting for these expenditures on a “pay-as-you-go” basis. The costs of administering the plans are paid by the Township.

Investments

Investment Policy - The plan’s policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors, with input from the Pension Advisory Board. It is the policy of the Township Board of Supervisors to pursue an investment strategy that reduces risk while maximizing returns through prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	49%
International equity	21%
Fixed income	30%
	<u>100%</u>

Concentrations - At December 31, 2020, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the Township - The components of the net OPEB liability of the Township at December 31, 2020, were as follows:

Total OPEB liability	\$ 3,909,437
Plan fiduciary net position	<u>(5,125,435)</u>
NET OPEB ASSET	\$ <u>(1,215,998)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>131.10%</u>

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation at December 31, 2020 with update procedures used to roll forward to the plan's fiscal plan year ending December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5.0% annual increase
Investment rate of return	6.0%

The healthcare cost trend rate is 7.0%, decreasing by 0.5% per year to an ultimate rate of 5.0%.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Mortality rates were based on the RP-2000 Mortality Table (Blue Collar) with Scale AA.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2020 (see the plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	6.0%
Fixed income	6.0%

Discount Rate - The discount rate used to measure the total OPEB liability was 6.0%. The discount rate is based on the long-term expected rate of return on pension plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return.

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Changes in the Net OPEB Asset

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at December 31, 2019	\$ 3,491,932	\$ 4,194,107	\$ (702,175)
Changes for the year			
Service cost	64,273	-	64,273
Interest cost	248,934	-	248,934
Changes for experience	(235,467)	-	(235,467)
Changes in assumptions	339,765	-	339,765
Employer contributions	-	132,023	(132,023)
Net investment income	-	805,057	(805,057)
Administrative expenses	-	(5,752)	5,752
Net changes	<u>417,505</u>	<u>931,328</u>	<u>(513,823)</u>
Balances at December 31, 2020	<u>\$ 3,909,437</u>	<u>\$ 5,125,435</u>	<u>\$ (1,215,998)</u>

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate - The following presents the net OPEB asset of the Township, calculated using the discount rate of 6.0%, as well as what the Township's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
	<u>(5.0%)</u>	<u>(6.0%)</u>	<u>(7.0%)</u>
Net OPEB asset	\$ <u>(816,683)</u>	\$ <u>(1,215,998)</u>	\$ <u>(1,555,763)</u>

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB asset of the Township, as well as what the Township's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0% decreasing to 4.0%) or one percentage point higher (8.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	(5.0%) <u>Decreasing</u>	Healthcare Cost Trend (6.0%) <u>Decreasing</u>	(7.0%) <u>Decreasing</u>
Net OPEB asset	\$ <u>(1,587,018)</u>	\$ <u>(1,215,998)</u>	\$ <u>(776,979)</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Township recognized OPEB expense of \$(202,135). At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 132,884	\$ 1,268,936
Changes of assumptions	<u>275,416</u>	<u>-</u>
Total	\$ <u>408,300</u>	\$ <u>1,268,936</u>

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

<u>Year Ending December 31,</u>	
2021	\$ (204,134)
2022	(195,215)
2023	(261,657)
2024	(178,146)
2025	(21,484)
Thereafter	-

WILLISTOWN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE I - SEWAGE TREATMENT AGREEMENTS

Valley Forge Sewage Treatment Agreement - The Township joined with several other municipalities on November 1, 1970 to form the Valley Forge Sewer Authority (“VFSA”) for the construction and operation of sanitary sewer collection. VFSA provides sewage treatment services to all or portions of the member municipalities and the area served by the Township.

VFSA’s normal operating costs are allocated among the participants based upon their proportionate share of sewage in relation to the total amount of sewage treated by VFSA. The agreement calls for quarterly estimated payments based on the estimated operating expenses. Any amounts advanced in excess of actual costs incurred are refundable and likewise, any amounts underpaid are due. VFSA’s charges for treatment operating costs totaled \$659,539 for the year ended December 31, 2020.

Capital construction and plant upgrade costs are assessed based upon the percentages of plant capacity attributed to each member. The Township’s payments to VFSA for capital construction and plant upgrades are capitalized and depreciated over a period of 40 years.

NOTE J - RISK MANAGEMENT AND COMMITMENTS

Risk Management - The Township is subject to various risks of loss arising from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Township purchases commercial insurance. No settlements have exceeded coverage during the year ended December 31, 2020.

Litigation - The Township is involved in certain claims and legal actions which arise in the ordinary course of business. In the opinion of management and legal counsel, there are no such matters pending that are expected to be material in relation to the Township’s financial condition or results of operations.

NOTE K - RISKS AND UNCERTAINTIES

On March 11, 2020 the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a pandemic which has impacted the global economy. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Township’s future financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.

NOTE L - SUBSEQUENT EVENT

On January 20, 2021, the Township executed an Asset Purchase Agreement authorizing the sale of the sewer system to Aqua Pennsylvania Wastewater, Inc. for \$17.5 million under the terms and conditions contained therein.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes				
Real estate taxes	\$ 347,000	\$ 347,000	\$ 374,216	\$ 27,216
Transfer taxes	630,000	630,000	910,924	280,924
Earned income taxes	6,448,560	6,448,560	6,978,678	530,118
Local services taxes	275,000	275,000	288,007	13,007
Cable franchise fees	300,000	300,000	297,822	(2,178)
Fines and forfeitures	23,000	23,000	22,461	(539)
Investment income/rental income	75,000	75,000	35,754	(39,246)
Intergovernmental	374,450	374,450	375,230	780
Park and recreation fees	15,000	15,000	1,405	(13,595)
Charges for services	510,994	510,994	693,385	182,391
Miscellaneous	23,158	23,158	129,778	106,620
TOTAL REVENUES	<u>9,022,162</u>	<u>9,022,162</u>	<u>10,107,660</u>	<u>1,085,498</u>
EXPENDITURES				
General government	1,726,030	1,726,030	1,477,609	(248,421)
Public safety	5,892,444	5,892,444	5,689,401	(203,043)
Public works	1,001,758	1,001,758	991,558	(10,200)
Library/parks/recreation	397,925	397,925	381,575	(16,350)
Debt service				
Principal payment	58,500	58,500	58,500	-
Interest and other charges	28,005	28,005	28,005	-
TOTAL EXPENDITURES	<u>9,104,662</u>	<u>9,104,662</u>	<u>8,626,648</u>	<u>(478,014)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(82,500)</u>	<u>(82,500)</u>	<u>1,481,012</u>	<u>1,563,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	84,000	84,000	-	(84,000)
Transfers out	(1,500)	(1,500)	(500,000)	(498,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,500</u>	<u>82,500</u>	<u>(500,000)</u>	<u>(582,500)</u>
NET CHANGE IN FUND BALANCE	-	-	981,012	981,012
FUND BALANCE AT BEGINNING OF THE YEAR	<u>10,183,550</u>	<u>10,183,550</u>	<u>10,183,550</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,183,550</u>	<u>\$ 10,183,550</u>	<u>\$ 11,164,562</u>	<u>\$ 981,012</u>

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
OPEN SPACE FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
REVENUES				
Earned income tax	\$ 725,000	\$ 725,000	\$ 833,005	\$ 108,005
Investment income	35,000	35,000	16,414	(18,586)
TOTAL REVENUES	<u>760,000</u>	<u>760,000</u>	<u>849,419</u>	<u>89,419</u>
EXPENDITURES				
General government	1,000	1,000	12,820	11,820
Debt service				
Principal payments	350,000	350,000	350,000	-
Interest	202,760	202,760	202,754	(6)
TOTAL EXPENDITURES	<u>553,760</u>	<u>553,760</u>	<u>565,574</u>	<u>11,814</u>
NET CHANGE IN FUND BALANCE	206,240	206,240	283,845	77,605
FUND BALANCE AT BEGINNING OF THE YEAR	<u>4,723,722</u>	<u>4,723,722</u>	<u>4,723,722</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,929,962</u>	<u>\$ 4,929,962</u>	<u>\$ 5,007,567</u>	<u>\$ 77,605</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 320,205	\$ 387,236	\$ 310,949
Interest	1,265,530	1,209,053	1,158,324
Differences between expected and actual experience	(75,841)	248,714	(86,831)
Changes of assumptions	-	530,997	-
Benefit payments	<u>(926,716)</u>	<u>(738,392)</u>	<u>(729,658)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	583,178	1,637,608	652,784
TOTAL PENSION LIABILITY, BEGINNING	<u>18,891,752</u>	<u>17,254,144</u>	<u>16,601,360</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 19,474,930</u>	<u>\$ 18,891,752</u>	<u>\$ 17,254,144</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 849,513	\$ 737,199	\$ 710,750
Member	91,361	98,125	90,574
Net investment income	3,104,078	3,257,476	(923,139)
Benefit payments, including refunds of member contributions	(926,716)	(738,392)	(729,658)
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,118,236	3,354,408	(851,473)
Plan fiduciary net position, beginning	<u>18,483,108</u>	<u>15,128,700</u>	<u>15,980,173</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 21,601,344</u>	<u>\$ 18,483,108</u>	<u>\$ 15,128,700</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ (2,126,414)</u>	<u>\$ 408,644</u>	<u>\$ 2,125,444</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>110.92%</u>	<u>97.84%</u>	<u>87.68%</u>
COVERED PAYROLL	<u>\$ 1,963,722</u>	<u>\$ 2,029,388</u>	<u>\$ 1,676,423</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-108.28%</u>	<u>20.14%</u>	<u>126.78%</u>

Changes of assumptions: In 2019 the investment rate of return was changed from 7.0% to 6.75% and the mortality assumption was changed from Scale AA to Scale BB. In 2017 the investment rate of return assumption was changed from 7.25% to 7.0%. In 2015 the investment rate of return assumption was changes from 7.5% to 7.25%. In 2015, the mortality assumption was changed from Scale BB to Scale AA.

* The requirement for this schedule is to present ten years of information. However, until a full ten year trend is complete, only available information is present.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	310,646	\$ 300,796	\$ 371,345	\$ 329,596
	1,129,676	1,104,355	980,854	925,637
	(771,811)	178,091	586,760	10,626
	467,952	-	420,950	-
	<u>(725,373)</u>	<u>(649,322)</u>	<u>(522,475)</u>	<u>(411,856)</u>
	411,090	933,920	1,837,434	854,003
	<u>16,190,270</u>	<u>15,256,350</u>	<u>13,418,916</u>	<u>12,564,913</u>
\$	<u><u>16,601,360</u></u>	<u><u>16,190,270</u></u>	<u><u>15,256,350</u></u>	<u><u>13,418,916</u></u>
\$	758,659	\$ 650,760	\$ 676,635	\$ 659,842
	83,037	85,697	99,710	82,269
	2,456,672	920,691	45,493	754,980
	(725,373)	(649,322)	(522,475)	(448,256)
	<u>-</u>	<u>-</u>	<u>(1,600)</u>	<u>(30,230)</u>
	2,572,995	1,007,826	297,763	1,018,605
	<u>13,407,178</u>	<u>12,399,352</u>	<u>12,101,589</u>	<u>11,082,984</u>
\$	<u><u>15,980,173</u></u>	<u><u>13,407,178</u></u>	<u><u>12,399,352</u></u>	<u><u>12,101,589</u></u>
\$	<u><u>621,187</u></u>	<u><u>2,783,092</u></u>	<u><u>2,856,998</u></u>	<u><u>1,317,327</u></u>
	<u>96.26%</u>	<u>82.81%</u>	<u>81.27%</u>	<u>90.18%</u>
\$	<u><u>1,750,000</u></u>	<u><u>1,762,481</u></u>	<u><u>1,984,774</u></u>	<u><u>1,861,059</u></u>
	<u>35.50%</u>	<u>157.91%</u>	<u>143.95%</u>	<u>70.78%</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 849,513	\$ 737,199	\$ 710,750
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>849,513</u>	<u>737,199</u>	<u>710,750</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 1,963,722</u>	<u>\$ 2,029,388</u>	<u>\$ 1,676,423</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>43.26%</u>	<u>36.33%</u>	<u>42.40%</u>

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	7 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	6.75%
Retirement age	Normal retirement age
Mortality	RP2000 Mortality Table

* The requirement for this schedule is to present ten years of information. However, until a full ten year trend is complete, only available information is present.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 608,659	\$ 650,760	\$ 676,635	\$ 659,842
<u>758,659</u>	<u>650,760</u>	<u>676,635</u>	<u>659,842</u>
\$ <u>(150,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,750,000</u>	\$ <u>1,762,481</u>	\$ <u>1,984,774</u>	\$ <u>1,861,059</u>
<u>43.35%</u>	<u>36.92%</u>	<u>34.09%</u>	<u>35.46%</u>

WILLISTOWN TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>16.79%</u>	<u>21.53%</u>	<u>-5.78%</u>

* The requirement for this schedule is to present ten years of information. However, until a full ten year trend is complete, only available information is present.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>18.32%</u>	<u>7.43%</u>	<u>0.15%</u>	<u>6.13%</u>

WILLISTOWN TOWNSHIP
SCHEDULE OF CHANGES IN THE NET OPEB
PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 64,273	\$ 59,368	\$ 75,409	\$ 78,349
Interest	248,934	268,086	253,375	233,901
Differences between expected and actual experience	(235,467)	(605,950)	(92,537)	44,468
Changes of assumptions	339,765	-	-	-
Benefit payments	-	-	(20,114)	(131,042)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>417,505</u>	<u>(278,496)</u>	<u>216,133</u>	<u>225,676</u>
TOTAL OPEB LIABILITY, BEGINNING	<u>3,491,932</u>	<u>3,770,428</u>	<u>3,554,295</u>	<u>3,328,619</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u><u>\$ 3,909,437</u></u>	<u><u>\$ 3,491,932</u></u>	<u><u>\$ 3,770,428</u></u>	<u><u>\$ 3,554,295</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 132,023	\$ 132,023	\$ 185,124	\$ 435,124
Net investment income	805,057	660,302	(93,329)	295,393
Benefit payments, including refunds of member contributions	-	-	(20,114)	(131,042)
Administrative expense	(5,752)	-	-	-
Other	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>931,328</u>	<u>792,325</u>	<u>71,681</u>	<u>599,475</u>
Plan fiduciary net position, beginning	<u>4,194,107</u>	<u>3,401,782</u>	<u>3,330,101</u>	<u>2,730,626</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 5,125,435</u></u>	<u><u>\$ 4,194,107</u></u>	<u><u>\$ 3,401,782</u></u>	<u><u>\$ 3,330,101</u></u>
NET OPEB LIABILITY, ENDING (a)-(b)	<u><u>\$ (1,215,998)</u></u>	<u><u>\$ (702,175)</u></u>	<u><u>\$ 368,646</u></u>	<u><u>\$ 224,194</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>131.10%</u>	<u>120.11%</u>	<u>90.22%</u>	<u>93.69%</u>
COVERED PAYROLL	<u><u>\$ 2,663,569</u></u>	<u><u>\$ 2,663,569</u></u>	<u><u>\$ 2,586,362</u></u>	<u><u>\$ 2,364,851</u></u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u><u>-45.65%</u></u>	<u><u>-26.36%</u></u>	<u><u>14.25%</u></u>	<u><u>9.48%</u></u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

WILLISTOWN TOWNSHIP
SCHEDULE OF OPEB PLAN CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ -	\$ 58,595	\$ 85,197	\$ 85,197
Contributions in relation to the actuarially determined contribution	<u>132,023</u>	<u>132,023</u>	<u>185,124</u>	<u>435,124</u>
Excess contribution	<u>\$ (132,023)</u>	<u>\$ (73,428)</u>	<u>\$ (99,927)</u>	<u>\$ (349,927)</u>
Covered payroll	<u>\$ 2,663,569</u>	<u>\$ 2,663,569</u>	<u>\$ 2,586,362</u>	<u>\$ 2,364,851</u>
Contribution as a percentage of covered payroll	<u>4.96%</u>	<u>4.96%</u>	<u>7.16%</u>	<u>18.40%</u>

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Salary increases	5.00%
Investment rate of return	6.00%
Mortality	RP - 2000 Healthy Annuitant Mortality Table
Healthcare cost trend rates	7.0% decreasing to 5.0%

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

WILLISTOWN TOWNSHIP
SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	<u>19.00%</u>	<u>19.17%</u>	<u>-1.86%</u>	<u>9.71%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
REVENUES				
Investment income	\$ 10,000	\$ 10,000	\$ 3,792	\$ (6,208)
EXPENDITURES				
General government	10,000	10,000	4,924	(5,076)
Public safety	114,960	114,960	97,830	(17,130)
Public works	483,000	483,000	178,941	(304,059)
Culture and recreation	40,000	40,000	35,822	(4,178)
TOTAL EXPENDITURES	<u>647,960</u>	<u>647,960</u>	<u>317,517</u>	<u>(330,443)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(637,960)	(637,960)	(313,725)	324,235
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	(637,960)	(637,960)	186,275	824,235
FUND BALANCE AT BEGINNING OF THE YEAR	<u>1,207,374</u>	<u>1,207,374</u>	<u>1,207,374</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 569,414</u>	<u>\$ 569,414</u>	<u>\$ 1,393,649</u>	<u>\$ 824,235</u>

WILLISTOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
SEWER FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
OPERATING REVENUES				
Sewer rents	\$ 2,105,219	\$ 2,105,219	\$ 2,165,781	\$ 60,562
OPERATING EXPENSES				
Operations and maintenance	2,164,639	2,164,639	1,799,716	(364,923)
General and administrative	282,609	282,609	255,046	(27,563)
Depreciation and amortization	-	-	494,389	494,389
TOTAL OPERATING EXPENSES	<u>2,447,248</u>	<u>2,447,248</u>	<u>2,549,151</u>	<u>101,903</u>
GAIN (LOSS) FROM OPERATIONS	<u>(342,029)</u>	<u>(342,029)</u>	<u>(383,370)</u>	<u>(41,341)</u>
NONOPERATING INCOME (EXPENSE)				
Investment income	-	-	15,869	15,869
Interest expense	-	-	(113,934)	(113,934)
Other	-	-	30,051	30,051
TOTAL NONOPERATING INCOME (EXPENSE)	<u>-</u>	<u>-</u>	<u>(68,014)</u>	<u>(68,014)</u>
CHANGE IN NET POSITION	<u>\$ (342,029)</u>	<u>\$ (342,029)</u>	<u>\$ (451,384)</u>	<u>\$ (109,355)</u>

WILLISTOWN TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Bartram Bridge Preservation Fund	Special Revenue Fund <u>State Highway Fund</u>	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ <u>8,178</u>	\$ <u>659,249</u>	\$ <u>667,427</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ <u>-</u>	\$ <u>199,064</u>	\$ <u>199,064</u>
FUND BALANCES			
Restricted			
Highway and street projects	-	460,185	460,185
Bridges	<u>8,178</u>	<u>-</u>	<u>8,178</u>
TOTAL FUND BALANCES	<u>8,178</u>	<u>460,185</u>	<u>468,363</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,178</u>	<u>\$ 659,249</u>	<u>\$ 667,427</u>

WILLISTOWN TOWNSHIP**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Bartram Bridge Preservation Fund	Special Revenue Fund <u>State Highway Fund</u>	Total Other Governmental Funds
REVENUES			
Interest, dividends and rents	\$ 36	\$ 1,946	\$ 1,982
Intergovernmental	-	392,466	392,466
Other	-	2,113	2,113
TOTAL REVENUES	<u>36</u>	<u>396,525</u>	<u>396,561</u>
EXPENDITURES			
Public works - highways and streets	-	266,081	266,081
Culture and recreation - bridges	<u>3,050</u>	-	<u>3,050</u>
TOTAL EXPENDITURES	<u>3,050</u>	<u>266,081</u>	<u>269,131</u>
NET CHANGE IN FUND BALANCES	(3,014)	130,444	127,430
FUND BALANCES AT BEGINNING OF YEAR	<u>11,192</u>	<u>329,741</u>	<u>340,933</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,178</u>	<u>\$ 460,185</u>	<u>\$ 468,363</u>