

WARWICK TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2020



WARWICK TOWNSHIP  
GENERAL PURPOSE FINANCIAL STATEMENTS  
December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
Warwick Township  
Jamison, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warwick Township, Bucks County, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 did not audit the financial statements of Warwick Township Water and Sewer Authority and Warwick Township Fire Company No.1, whose statements reflect 100% of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar, as it relates to the amounts included for that component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Warwick Township, Pennsylvania, as of December 31, 2020 and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other-Matters***

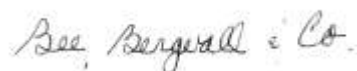
#### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the historical trend information as listed in the table of contents 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 information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Warwick's, Bucks County, Pennsylvania, basic financial statements. The combining and individual nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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



Bee, Bergvall and Company, P.C.  
Certified Public Accountants

## WARWICK TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

This narrative overview and analysis of the financial statements of Warwick Township, Bucks County, Pennsylvania (the Township) for the calendar year ended December 31, 2020 has been prepared by the Finance Director. The discussion and analysis of the Warwick Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Township's financial statements, which begin on page 14.

This analysis only relates to the primary government, Warwick Township. For a discussion of the Township's component units, see the financial statements for the Warwick Township Water and Sewer Authority and Warwick Township Fire Company.

Warwick Township is a Township of the Second Class under Pennsylvania law. The governing body of the Township is the Board of Supervisors comprised of three (3) members, who are elected at large and serve six (6) year staggered terms. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, awarding bids and contracts, and making appointments to various boards and commissions.

#### **Financial Highlights of 2020 and Comparative Analysis with 2019**

##### ***From the perspective of Full Accrual Reporting***

The government-wide financial statements report information about the Township as a whole using the economic resources measurement focus and full accrual basis of accounting. Using this reporting, the following highlights the Township's financial position:

- The assets of Warwick Township exceeded its liabilities at the close of the most recent fiscal year by \$28,477,990 (*net position*). Of this amount, \$11,925,109 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors. Compared to 2019, unrestricted net position increased by \$1,084,728.
- \$15,112,937 of net position is the net investment in capital assets.
- \$1,439,944 is restricted for:
  - Highways and streets
  - Firehouse equipment
  - Open space
  - Debt service
  - Capital projects
- Warwick Township's total net position increased by \$2,103,757, split mainly between increases in investments in capital assets and unrestricted reserves. The largest capital investments were the completion of the Headquarters Trail System including a walking bridge for \$456,311 and the preliminary restoration of the Dark Hollow Road and Fairway Drive Bridges of \$165,012.
- Real estate, transfer tax and earned income tax are the major revenue sources, remained stable, and was 72% of revenues.

## WARWICK TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

- Total Governmental Revenues increased \$213,430. Current year earned income tax collections decreased \$38,487. Transfer taxes increased \$99,179 from the prior year due to lower mortgage rates and a robust housing market.
- Total Governmental expenses increased \$234,771 primarily due to the upgrading of aged equipment.

#### ***From the perspective of Modified Accrual Reporting***

The fund financial statements provide more detailed information about the Township's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting. As of the close of the current fiscal year, Warwick Township's governmental funds reported combined ending fund balances of \$15,395,281 an increase of \$609,164 in comparison with the prior year.

**Overview of the Financial Statements.** This discussion and analysis is intended to serve as an introduction to Warwick Township's basic financial statements. The Township's basic financial statements are comprised of four components:

- ***Government-wide financial statements***, which provide both long-term and short-term information about the Township's overall financial condition.
- ***Fund financial statements***, which provide a detailed look at major individual portions, or funds, of the Township.
- ***Notes to the financial statements***, which explain some of the information contained in the financial statements and provide detailed data.
- ***Other supplementary information***, which further explains and supports the information in the financial statements, is also included.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Warwick Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all Township assets and liabilities, with differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

## WARWICK TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Both of the government-wide financial statements distinguish functions of Warwick Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Warwick Township include general government, codes and planning, police and emergency services, public works, and culture and recreation.

The government-wide financial statements include Warwick Township itself (known as the *primary government*) and component units, Warwick Township Water & Sewer Authority and Warwick Fire Company. As a component unit to these statements, each will have an independent external audit performed that will be submitted to the Township and available to the public for inspection.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities' objectives. Warwick Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Warwick Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and other major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.



WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Warwick Township adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

- **Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support Warwick Township's own programs. The fiduciary funds are presented using the accrual method of accounting.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Warwick Township, assets exceeded liabilities by \$28,477,990 at the close of 2020.

	Governmental Activities		Component Units		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 18,031,983	\$ 17,274,344	\$ 4,427,949	\$ 3,401,283	\$ 22,459,932	\$ 20,675,627
Capital assets	<u>17,930,059</u>	<u>17,722,506</u>	<u>36,699,475</u>	<u>36,724,500</u>	<u>54,629,534</u>	<u>54,447,006</u>
Total Assets	<u>35,962,042</u>	<u>34,996,850</u>	<u>41,127,424</u>	<u>40,125,783</u>	<u>77,089,466</u>	<u>75,122,633</u>
Total deferred outflows of resources	<u>612,108</u>	<u>761,663</u>	<u>-</u>	<u>-</u>	<u>612,108</u>	<u>761,663</u>
Long-term liabilities	3,121,653	5,045,854	2,158,438	2,281,690	5,280,091	7,327,544
Other liabilities	<u>2,927,026</u>	<u>3,136,574</u>	<u>867,711</u>	<u>1,015,712</u>	<u>3,794,737</u>	<u>4,152,286</u>
Total Liabilities	<u>6,048,679</u>	<u>8,182,428</u>	<u>3,026,149</u>	<u>3,297,402</u>	<u>9,074,828</u>	<u>11,479,830</u>
Total deferred inflows of resources	<u>2,047,481</u>	<u>1,201,852</u>	<u>-</u>	<u>-</u>	<u>2,047,481</u>	<u>1,201,852</u>
Net Position						
Net investment in capital assets	15,112,937	14,109,423	34,479,573	34,399,162	49,592,510	48,508,585
Restricted	1,439,944	1,424,429	-	-	1,439,944	1,424,429
Unrestricted	<u>11,925,109</u>	<u>10,840,381</u>	<u>3,621,702</u>	<u>2,429,219</u>	<u>15,546,811</u>	<u>13,269,600</u>
Total Net Position	<u>\$ 28,477,990</u>	<u>\$ 26,374,233</u>	<u>\$ 38,101,275</u>	<u>\$ 36,828,381</u>	<u>\$ 66,579,265</u>	<u>\$ 63,202,614</u>

At the end of the current fiscal year, Warwick Township is able to report a positive balance in the category of *net position* for the government as a whole. For the Governmental Activities, the increase in current and other assets was the result of higher cash balances in 2020. The increase in long-term liabilities decreased as the refinanced debt is repaid.

Warwick Township was fiscally responsible and reduced expenses where possible because of the global pandemic and was able to retain current and other assets.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

The following chart shows the revenues and expenses of the governmental activities and component unit business-type activities:

	<u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 986,059	\$ 1,125,491	\$ 3,957,040	\$ 3,686,727	\$ 4,943,099	\$ 4,812,218
Operating grants and contributions	853,638	940,603	285,624	320,624	1,139,262	1,261,227
Capital grants and contributions	464,500	288,340	1,987,768	-	2,452,268	288,340
General revenues						
Property taxes	3,367,166	3,328,339	-	-	3,367,166	3,328,339
Other taxes	4,343,761	4,279,707	-	-	4,343,761	4,279,707
Grants and contributions not restricted to specific programs	217,955	29,475	-	-	217,955	29,475
Investment income	117,319	195,967	17,046	71,942	134,365	267,909
Gain (loss) on sale/retirement of assets	7,810	4,079	-	-	7,810	4,079
Miscellaneous	111,957	61,003	1,440	61,010	113,397	122,013
Total Revenues	<u>10,470,165</u>	<u>10,253,004</u>	<u>6,248,918</u>	<u>4,140,303</u>	<u>16,719,083</u>	<u>14,393,307</u>
<b>EXPENSES</b>						
General government	2,315,390	2,191,964	-	-	2,315,390	2,191,964
Codes and planning	431,699	413,092	-	-	431,699	413,092
Police and emergency service	2,630,894	3,068,169	282,200	457,931	2,913,094	3,526,100
Public works	2,298,072	1,744,981	-	-	2,298,072	1,744,981
Culture and recreation	690,353	713,431	-	-	690,353	713,431
Water and sewer	-	-	4,693,824	4,746,235	4,693,824	4,746,235
Total Expenses	<u>8,366,408</u>	<u>8,131,637</u>	<u>4,976,024</u>	<u>5,204,166</u>	<u>13,342,432</u>	<u>13,335,803</u>
Change in Net Position	2,103,757	2,121,367	1,272,894	(1,063,863)	3,376,651	1,057,504
Net Position - Beginning	<u>26,374,233</u>	<u>24,252,866</u>	<u>36,828,381</u>	<u>37,892,244</u>	<u>63,202,614</u>	<u>62,145,110</u>
Net Position - Ending	<u>\$ 28,477,990</u>	<u>\$ 26,374,233</u>	<u>\$ 38,101,275</u>	<u>\$ 36,828,381</u>	<u>\$ 66,579,265</u>	<u>\$ 63,202,614</u>

Revenues increased \$217,161 in 2020, predominantly due to grants acquired and executed. Expenses increased \$234,771 through additional maintenance of both municipal and public works buildings along with the development of a new park trail.

**Financial Analysis of the Government's Funds**

Warwick Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

At the end of the current fiscal year, Warwick Township's governmental funds reported combined ending fund balances of \$15,395,281. Of the total, \$8,896,677 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been reserved for other Township projects, purchases, and contractual obligations, repayment of debt service, or taxes levied and collected for specific purposes, per the Second Class Township Code.

**General Fund**

The *General Fund* is the chief operating fund of Warwick Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,936,025 while total fund balance reached \$13,095,164. The fund balance of the General Fund increased by \$763,630 during the fiscal year 2020.

**General Fund Budgetary Highlights and 2021-2020 Comparisons**

General Fund revenues exceeded budgeted revenues by \$586,790. Impacting revenues were higher earned income and transfer taxes due to a healthier job market and low interest rates improving the housing market. The increase in actual to budgeted amount was 7.6 percent.

The Township general fund expenditures were lower than budgeted by \$520,925 in areas of wages, employee benefits and insurance costs. Projected costs were lower than expected.

*Projecting Forward*

Continued low interest rates should maintain the competitive housing market and stimulate employment. With the low investment rates, the Township has budgeted to eliminate all debt in 2021. We will continue to conservatively budget real estate and earned income tax, our major revenue sources, at close to 2020 levels. Permit revenue for 2021 is expected to be stable at 2020 rates, with more income coming from redevelopment, renovations and additions to existing properties, as there is less vacant land available.

The road program is budgeted to cost \$485,000. This is the amount expected to be received through the Pennsylvania Liquid Fuels Tax. Roads that were constructed in the 1980's and 1990's are aging out and require repair and reconstruction. This has become a priority to ensure the safety of the residents and visitors.

The Dark Hollow Road and Fairway Drive Bridges restoration is expected to be completed in 2021. It has been determined that these bridges are in need of repair. The majority of the funding will come from a DVRPC grant.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

The Township will continue to reassess its human resource needs and add limited positions in areas that are affected by the increased growth and development. It is not anticipated that hiring will reach pre-2008 levels but some level of hiring may be necessary to maintain adequate services. Health care costs and pension funding continue to be a major financial obligation for the Township for the foreseeable future.

Resident demands for services will remain high and possibly increase as the infrastructure continues to age.

Capital projects planned include purchase of one police vehicle, replacement of the original HVAC units at the Township building, completion of battery back-up systems on all traffic lights, replacement of the Township building roof along with main meeting room carpet, and the road program improvements. Funding of \$375,000 will come from the General Fund Balance.

Park and Recreation capital projects planned include Hampton Chase rear parking lot paving, Jamison Hunt tennis and basketball court refurbishment, and the replacement of Lee Drive playground.

**Capital Projects Fund**

Capital projects were covered by general fund and capital reserve fund monies, transferred for the purpose of completing capital projects or making capital purchases.

For 2020, the capital projects included:

- One police vehicle
- Community Park basin conversion for MS4 compliance
- Replacement of Administrative Workstation Furniture
- Playground mulch and picnic tables for playground areas
- Partial replacement of Township building HVAC system
- Memorial Park landscaping and guiderail
- Community Park electric charging station
- Planning & Zoning vehicle
- Moland House Headquarters Trail completion costs
- Recreation Station improvements
- Parks & Recreation vehicle
- Dark Hollow & Fairway Dr. bridges repair
- Police sally-port garage wall repair
- School zone lights replacement
- Upgrades to police in-car dash camera system

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

**Capital Asset and Debt Administration**

**Capital Assets:** Warwick Township's investment in capital assets for governmental activities as of December 31, 2020 amounts to \$17,930,059 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and building improvements, vehicles, machinery and equipment. Capital asset additions during the year consisted a planning and zoning vehicle, police vehicle with dash camera and infrastructure additions to the Warwick Memorial Park.

For the purpose of Financial Statement Capital Assets, open space easements are considered an asset. In practice, these properties, while valuable for the community as a whole, have no resale value since they are not owned by the Township.

	Balance <u>1/1/20</u>	(Deletions) <u>2020</u>	Balance <u>12/31/20</u>
<b>Non-Depreciable Assets</b>			
Land	\$ 11,286,301	\$ -	\$ 11,286,301
Construction in progress	-	64,289	64,289
<b>Other Capital Assets</b>			
Buildings and improvements	4,785,950	13,265	4,799,215
Vehicles	1,660,971	151,760	1,812,731
Equipment	1,054,951	91,680	1,146,631
Infrastructure	4,470,020	456,311	4,926,331
Less: accumulated depreciation on capital assets	<u>(5,535,687)</u>	<u>(569,752)</u>	<u>(6,105,439)</u>
<b>Totals</b>	<u>\$ 17,722,506</u>	<u>\$ 207,553</u>	<u>\$ 17,930,059</u>

**Outstanding Debt as of December 31, 2020**

Long term debt and interest scheduled to be paid by 2025, totals \$2,991,934 for notes with no capital leases. This debt is scheduled to be settled early in 2021. More information and schedules of payment can be found on pages 44-46.

All Township debt has been refinanced in the past few years with current rates ranges from 1.5% to 2.7%.

WARWICK TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

**Revenues (Modified Accrual)**

*The 2020-2019 Budget comparatives of tax mills assessed*

	<u>2020 mills</u>	<u>2019 mills</u>
General Fund	8.75	8.75
Parks and Recreation	1.50	1.50
Fire Protection	0.75	0.75
Road Machinery	0.50	0.50
General Obligation	<u>3.75</u>	<u>3.75</u>
Total	<u>15.25</u>	<u>15.25</u>

**Revenues in the General Fund (Modified Accrual)**

The highest source of revenues for the General Fund remains the 0.5% earned income tax that it receives from taxpayers, and secondly real estate tax revenues. We expect steady revenues in 2021 as the economy continues to recover from the global pandemic of 2020.

**Trends in Income**

EIT and Real Estate income and transfer taxes are anticipated at current levels, as the economy appears to be steady. The lack of funds at the State and Federal government level impact programs which local government relies on for income. Fees for service continue to be increasingly significant to the overall income, allowing the Township to defer any tax increases. The Township business corridor expected growth will help improve this outlook with increased collections from businesses. There is a business campus, office park and commercial retail development under construction with several large lots available. One large residential development is in the early stages of development and may not be completed for several years.

**Expenditures in the General Fund (Modified Accrual)**

The general fund expenditures for 2020 were \$7,147,200 before transfers compared with expenditures of \$6,614,051 before transfers in 2019. Employment counts were stable throughout the year.

## WARWICK TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

#### **Trends in Expenditures**

Road and infrastructure maintenance costs will continue to be a high cost and high priority item, along with police services. The aging infrastructure will be a priority for repair and replacement to assure public safety. Warwick Memorial Park and the Moland House Trail have been completed. Maintenance needs of all Township owned buildings will increase due to aging of property.

#### **Looking Forward**

The Township has built a strong fund balance through conservative spending policies, pension and benefit changes, renegotiated collective bargaining agreements in 2020 and 2017, and refinancing debt with lower interest rates. The Delaware Valley Regional Planning Commission awarded a \$322,247 grant to repair Dark Hollow Road and Fairway Drive bridges. A potential grant through the Department of Community Development for the reconstruction of the Stover Mill Basin may assist with potential costs of over \$200,000.

The global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency in 2020. As a result, economic uncertainties have arisen that have negatively impacted the Township finances in terms of investment income. The potential impact has remained minimal up to this point.

#### **Request for Information**

The financial report is designed to provide a general overview of the Township's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Warwick Township, 1733 Township Greene, Jamison, PA 18929 or through the Right To Know Act by completing a form on the Township website at [www.warwick-bucks.org](http://www.warwick-bucks.org) or coming in person to the Township offices to complete the request. All requests will be handled within the guideline of the right to know law.

WARWICK TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2020

<u>ASSETS</u>	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Water &amp; Sewer Authority</u>	<u>Warwick Township Fire Company No. 1</u>
Current Assets			
Cash and cash equivalents	\$ 12,917,221	\$ 2,055,834	\$ 433,282
Investments	490,000	-	17,816
Restricted assets: cash escrows	823,368	136,698	-
Accounts receivable	1,545,906	961,928	-
Notes receivable, current maturity	-	26,800	-
Other current assets	26,165	135,129	-
Due from Fire Company, current maturity	55,342	-	-
Total Current Assets	<u>15,858,002</u>	<u>3,316,389</u>	<u>451,098</u>
Noncurrent Assets			
Due from Township	-	-	647,062
Due from Fire Company, net of current maturity	1,420,452	-	-
Notes receivable, net of current maturity	-	13,400	-
Net pension asset	753,529	-	-
Total Noncurrent Assets	<u>2,173,981</u>	<u>13,400</u>	<u>647,062</u>
Capital Assets (net of accumulated depreciation)			
Land	11,286,301	551,571	-
Construction in progress	64,289	37,730	-
Other capital assets	6,579,469	33,049,692	3,060,482
Total Capital Assets (net)	<u>17,930,059</u>	<u>33,638,993</u>	<u>3,060,482</u>
Total Assets	<u>35,962,042</u>	<u>36,968,782</u>	<u>4,158,642</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	24,365	-	-
Deferred outflows or resources for pension	550,205	-	-
Deferred outflows or resources for OPEB	37,538	-	-
Total Deferred Outflows of Resources	<u>612,108</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows or Resources	<u>\$ 36,574,150</u>	<u>\$ 36,968,782</u>	<u>\$ 4,158,642</u>

(Continued)



	Primary Government	Component Units	
	Governmental Activities	Water & Sewer Authority	Warwick Township Fire Company No. 1
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts payable and other current liabilities	\$ 543,355	\$ 269,870	\$ 9,929
Accrued interest payable	6,273	-	-
Developers escrow payable	823,368	136,698	-
Due to fire companies	669,026	-	-
Unearned revenue	-	327,000	-
Notes payable, current maturity	805,273	-	94,520
Due to relief association, current maturity	-	-	12,014
Compensated absences, current maturity	79,731	17,680	-
Total Current Liabilities	<u>2,927,026</u>	<u>751,248</u>	<u>116,463</u>
Long-term Liabilities			
Notes payable, net of current maturity	2,011,849	-	2,125,382
Due to Relief Association, net of current maturity	-	-	33,056
OPEB obligation	627,590	-	-
Compensated absences	482,214	-	-
Total Long-term Liabilities	<u>3,121,653</u>	<u>-</u>	<u>2,158,438</u>
Total Liabilities	<u>6,048,679</u>	<u>751,248</u>	<u>2,274,901</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows of resources pension	1,941,231	-	-
Deferred inflows of resources OPEB	106,250	-	-
Total Deferred Inflows of Resources	<u>2,047,481</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	15,112,937	33,638,993	840,580
Restricted for:			
Firehouse equipment	668,431	-	-
Highways and streets	108,648	-	-
Open space	34,300	-	-
Capital activity	234,061	-	-
Debt service	394,504	-	-
Unrestricted	<u>11,925,109</u>	<u>2,578,541</u>	<u>1,043,161</u>
Total Net Position	<u>28,477,990</u>	<u>36,217,534</u>	<u>1,883,741</u>
Total Liabilities, Deferred Inflows or Resources, and Net Position	<u>\$ 36,574,150</u>	<u>\$ 36,968,782</u>	<u>\$ 4,158,642</u>

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>Governmental Activities</u>			
	<u>Total Primary Government</u>	<u>General Government</u>	<u>Codes &amp; Planning</u>	<u>Police and Emergency Services</u>
Expenses:				
Program expenses	\$ 7,700,477	\$ 2,118,504	\$ 425,748	\$ 2,524,974
Depreciation	576,937	107,892	5,951	105,920
Interest on debt	88,994	88,994	-	-
Total Expenses	<u>8,366,408</u>	<u>2,315,390</u>	<u>431,699</u>	<u>2,630,894</u>
Program Revenues:				
Charges for services	986,059	331,294	185,835	403,304
Operating grants and contributions	853,638	260,660	-	120,970
Capital grants and contributions	464,500	-	-	-
Total Program Revenues	<u>2,304,197</u>	<u>591,954</u>	<u>185,835</u>	<u>524,274</u>
Net (Expense) Revenue	(6,062,211)	(1,723,436)	(245,864)	(2,106,620)
General Revenues:				
Taxes:				
Real estate	3,367,166			
Transfer	664,693			
Earned income tax	3,435,093			
Local service tax	193,540			
Admissions tax	50,435			
Grants and contributions not restricted to specific programs	217,955			
Investment earnings	117,319			
Miscellaneous	111,957			
Gain (loss) on sale of capital assets	7,810			
Total General Revenues	<u>8,165,968</u>			
Change in Net Position	2,103,757			
Net Position - Beginning	<u>26,374,233</u>			
Net Position - Ending	<u>\$ 28,477,990</u>			

		Component Units	
Public Works	Culture & Recreation	Water & Sewer Authority	Warwick Township Fire Company No. 1
\$ 2,096,909	\$ 534,342	\$ 3,100,486	\$ 126,958
201,163	156,011	1,593,338	134,137
-	-	-	21,105
<u>2,298,072</u>	<u>690,353</u>	<u>4,693,824</u>	<u>282,200</u>
279	65,347	3,945,010	12,030
472,008	-	-	285,624
-	464,500	1,987,768	-
<u>472,287</u>	<u>529,847</u>	<u>5,932,778</u>	<u>297,654</u>
(1,825,785)	(160,506)	1,238,954	15,454
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		9,595	7,451
		-	1,440
		-	-
		<u>9,595</u>	<u>8,891</u>
		1,248,549	24,345
		<u>34,968,985</u>	<u>1,859,396</u>
		<u>\$ 36,217,534</u>	<u>\$ 1,883,741</u>

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2020

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 10,475,253	\$ 2,441,968	\$ 12,917,221
Investments	490,000	-	490,000
Receivables:			
Taxes	793,889	16,503	810,392
Accounts	232,508	-	232,508
Due from Warwick Township Fire Company	1,475,794	-	1,475,794
Prepaid expenses	24,545	1,620	26,165
Cash - restricted	823,368	-	823,368
Total Assets	<u>\$ 14,315,357</u>	<u>\$ 2,460,091</u>	<u>\$ 16,775,448</u>
<u>LIABILITIES</u>			
Accounts payable and accrued wages	\$ 389,111	\$ 154,244	\$ 543,355
Developers escrows payable - restricted	823,368	-	823,368
Total Liabilities	<u>1,212,479</u>	<u>154,244</u>	<u>1,366,723</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	7,714	5,730	13,444
Total Deferred Inflows of Resources	<u>7,714</u>	<u>5,730</u>	<u>13,444</u>
<u>FUND BALANCES</u>			
Nonspendable - prepaid items	1,475,794	-	1,475,794
Restricted for:			
Firehouse equipment	-	669,092	669,092
Highways and streets	-	108,648	108,648
Open space	-	34,961	34,961
Capital projects	-	234,502	234,502
Debt service	-	397,810	397,810
Committed to:			
Other post-employment benefits	627,590	-	627,590
Culture and recreation	-	421,610	421,610
Assigned to:			
Emergency reserve	2,055,755	-	2,055,755
Capital projects	-	472,842	472,842
Unassigned:	8,936,025	(39,348)	8,896,677
Total Fund Balances	<u>13,095,164</u>	<u>2,300,117</u>	<u>15,395,281</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,315,357</u>	<u>\$ 2,460,091</u>	<u>\$ 16,775,448</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of net position (page 14-15)  
are different because:

Total fund balances-total governmental funds (page 18)	\$	15,395,281
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Capital assets used in governmental activities are not financial resources  
and, therefore, are reported in the funds.

Cost of capital assets	24,035,498	
Accumulated depreciation	<u>(6,105,439)</u>	17,930,059

Because the focus of governmental funds is on short-term financing,  
some assets will not be available to pay for current-period expenditures.  
Those assets (for example, receivables) are offset by deferred revenues  
in the governmental funds and thus are not included in fund balance.

1,269,979

Governmental funds report the effect of issuance costs, premiums, discounts,  
and similar items when debt is first issued. This amount is the net effect  
of the treatment of long-term debt and related items.

Unamortized deferred loss on refunding	24,365	24,365
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Deferred inflows and outflows or resources related to pensions are applicable  
to future periods and, therefore, are not reported in the funds.

Deferred outflows or resources for pension	550,205	
Deferred inflows of resources pension	(1,941,231)	
Deferred outflows or resources for OPEB	37,538	
Deferred inflows of resources for OPEB	<u>(106,250)</u>	(1,459,738)

Long term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Notes payable	(2,817,122)	
Interest payable	(6,273)	
Due to Warwick and Hartsville Fire Companies	(669,026)	
Net postemployment benefits obligation	(627,590)	
Compensated absences	<u>(561,945)</u>	<u>(4,681,956)</u>

Net position of governmental activities (page 14-15)	\$	<u>28,477,990</u>
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The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Real estate	\$ 2,034,030	\$ 1,511,643	\$ 3,545,673
Transfer	664,693	-	664,693
Earned income tax	3,541,145	-	3,541,145
Local services tax	193,540	-	193,540
Admissions tax	50,435	-	50,435
Fees, licenses and permits	346,919	-	346,919
Investment income and rent	155,173	10,396	165,569
Intergovernmental revenues	381,630	993,055	1,374,685
Fines and forfeitures	37,457	-	37,457
Charges for services	536,336	-	536,336
Other	281,662	8,800	290,462
Total Revenues	8,223,020	2,523,894	10,746,914
Expenditures			
Current:			
General government	855,953	15,983	871,936
Public safety	3,456,737	168,459	3,625,196
Highways and streets	1,521,146	421,398	1,942,544
Culture and recreation	8,500	396,542	405,042
Employee benefits, insurance, and other	1,304,864	-	1,304,864
Debt service:			
Principal	-	795,960	795,960
Interest	-	70,060	70,060
Capital projects	-	1,129,958	1,129,958
Total Expenditures	7,147,200	2,998,360	10,145,560
Excess (Deficiency) of Revenues Over Expenditures	1,075,820	(474,466)	601,354
Other Financing Sources (Uses)			
Sale of capital assets	7,810	-	7,810
Transfers in	-	340,000	340,000
Transfers out	(320,000)	(20,000)	(340,000)
Total Other Financing Sources (Uses)	(312,190)	320,000	7,810
Net Change in Fund Balance	763,630	(154,466)	609,164
Fund Balance - Beginning	12,331,534	2,454,583	14,786,117
Fund Balance - Ending	\$ 13,095,164	\$ 2,300,117	\$ 15,395,281

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities (page 16-17)  
are different because:

Net change in fund balances-total governmental funds (page 20)	\$	609,164	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay		784,490	
Depreciation expense		<u>(576,937)</u>	207,553
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(107,547)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Repayment of debt		795,961	
Amortization of deferred loss on refunding		(4,874)	
Due to Warwick and Hartsville Fire Companies		(8,552)	
Interest payable		<u>1,922</u>	784,457
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Net pension asset (liability) and deferred items		670,758	
Net postemployment benefits obligation and deferred items		(58,098)	
Compensated absences		<u>(2,530)</u>	<u>610,130</u>
Change in net position of governmental activities (pages 16-17)	\$		<u>2,103,757</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

	<u>GENERAL FUND</u>			Variance with Final Budget - Over (Under)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate	\$ 2,021,000	\$ 2,021,000	\$ 2,034,030	\$ 13,030
Transfer	520,000	520,000	664,693	144,693
Earned income tax	3,250,000	3,250,000	3,541,145	291,145
Local service tax	196,000	196,000	193,540	(2,460)
Admissions tax	33,000	33,000	50,435	17,435
Fees, licenses and permits	362,460	362,460	346,919	(15,541)
Interest and rent	143,250	143,250	155,173	11,923
Intergovernmental revenues	412,820	412,820	381,630	(31,190)
Fines and forfeitures	48,000	48,000	37,457	(10,543)
Charges for services	636,700	636,700	536,336	(100,364)
Other	13,000	13,000	281,662	268,662
Total Revenues	<u>7,636,230</u>	<u>7,636,230</u>	<u>8,223,020</u>	<u>586,790</u>
Expenditures				
Current				
General government	1,025,790	1,025,790	855,953	(169,837)
Public safety	3,685,595	3,685,595	3,456,737	(228,858)
Highways and streets	1,729,950	1,729,950	1,521,146	(208,804)
Culture and recreation	6,500	6,500	8,500	2,000
Employee benefits, insurance, and other	1,220,290	1,220,290	1,304,864	84,574
Total Expenditures	<u>7,668,125</u>	<u>7,668,125</u>	<u>7,147,200</u>	<u>(520,925)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(31,895)</u>	<u>(31,895)</u>	<u>1,075,820</u>	<u>1,107,715</u>
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	5,000	5,000	7,810	2,810
Transfers out	(320,000)	(320,000)	(320,000)	-
Total Other Financing Sources (Uses)	<u>(315,000)</u>	<u>(315,000)</u>	<u>(312,190)</u>	<u>2,810</u>
Net Change in Fund Balance	(346,895)	(346,895)	763,630	1,110,525
Fund Balance - Beginning	<u>346,895</u>	<u>346,895</u>	<u>12,331,534</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,095,164</u>	

The notes to the financial statements are an integral part of this statement



WARWICK TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

December 31, 2020

<u>ASSETS</u>	<u>Pension</u> <u>Trust Funds</u>
Assets	
Cash	\$ 531,965
Investments, at fair value	
ETF Funds	18,021,843
Mutual Funds	<u>425,337</u>
Total Investments	<u>18,447,180</u>
Total Assets	<u>\$ 18,979,145</u>
 <u>NET POSITION</u>	
Net Position - Restricted for Pension Benefits	<u>\$ 18,979,145</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

For the Year Ended December 31, 2020

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee	\$ 99,352
Employer	406,044
State allocation	<u>251,115</u>
Total Contributions	<u>756,511</u>
Investment Earnings	
Net appreciation in fair value of investments	2,212,648
Dividends and interest	<u>387,878</u>
Total Investment Earnings	2,600,526
Less investment expense	<u>(62,964)</u>
Net Investment Earnings	<u>2,537,562</u>
Total Additions	<u>3,294,073</u>
Deductions	
Actuary fees	5,665
Benefits	<u>584,747</u>
Total Deductions	<u>590,412</u>
Change in Net Position	2,703,661
Net Position - Restricted for Pension Benefits	
Beginning of Year	<u>16,275,484</u>
End of Year	<u>\$ 18,979,145</u>

The notes to the financial statements are an integral part of this statement

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies**

**A. *Reporting entity***

Warwick Township is a municipal corporation existing and operating under the Second Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the government and certain component units, entities for which the government is considered to be financially accountable. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Discretely presented component unit:** The following component units are included in the financial statements, as the Township appoints the Board of the Municipal Authority and fiscally supports the Fire Company:

*Warwick Township Water and Sewer Authority*

*Warwick Township Fire Company, No. 1*

Complete financial statements for the individual component units may be obtained at the entity's administrative offices as follows: Warwick Township Water and Sewer, 1733 Township Greene, P.O. Box 315, Jamison, PA 18929 and Warwick Township Fire Company, No. 1, 2390 Old York Road, Jamison, PA 18929.

**B. *Government-wide and fund 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***B. Government-wide and fund financial statements (continued)***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

***C. Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)***

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *pension trust fund* accounts for the activities of the Police and Non Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*Discretely Presented Component Units* - The financial statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***D. Assets, liabilities, and net position or equity***

***1. Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

***1. Deposits and investments (continued)***

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Township are authorized investments, as noted above.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government, as well as for its component units, are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

***2. Receivables and payables***

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and other activities are reported in the government-wide financial statements as "internal balances."

At December 31, 2020, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is immaterial and therefore is not included in outstanding property taxes at December 31, 2020.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

**2. *Receivables and payables (continued)***

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through July 1; and a 10% penalty after July 1. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Township employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2020 are recognized as revenue for the year ending December 31, 2020.

Discretely Presented Component Unit - The Warwick Township Water and Sewer Authority customer billings are computed from meter readings and billed quarterly based on the amount consumed in the previous quarter. All bills are due and payable within thirty days after the end of the service period covered. If not paid by the due date, the bills are considered delinquent. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Authority is permitted to lien the customer's property if the customer does not remit payment timely.

**3. *Restricted assets***

Certain cash deposits have been classified as restricted assets on the balance sheet because they are held by the Township in a custodial capacity for developers and others. There is a corresponding restricted liability on the balance sheet for these funds.

Discretely Presented Component Unit - Warwick Township Water and Sewer Authority restricts assets for the repayment of long-term debt, as required by the Trust Funds. The net asset restriction includes the excess of assets over certain liabilities to be used for debt service on the revenue bonds. Restricted assets also include developer escrows. The developer deposits held by the Authority are to be used to reimburse the Authority of certain engineering, legal, inspection costs, and administrative fees associated with the respective developers' projects.

**4. *Use of estimates***

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 and expenditures during the reporting period. Actual results could differ from those estimates.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

**5. *Inventory***

Discretely Presented Component Unit - The Warwick Township Water and Sewer Authority inventory consists of materials, supplies, chemicals and water meters. Inventory is stated at cost, which is determined using the first-in, first-out method.

**6. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets are valued prospectively.

Discretely Presented Component Unit - The Warwick Township Water and Sewer Authority defines assets with initial, individual cost of more than \$500 and an estimated useful life exceeding one year. Capital contributions include distribution and collection line, pumping stations, wells and storage and treatment facilities constructed and installed by developers and dedicated to the Authority. Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized. Warwick Township Fire Company, No. 1 also defined assets with initial, individual cost of more than \$500 and an estimated useful life exceeding one year to be capital assets.

Property, plant, and equipment of the primary government, as well as its component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Roads and bridges	45
Collection lines and storm sewers	50-100
Lighting	20
Machinery, equipment, vehicles	3-15



WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

***7. Compensated absences***

The Township allows employees to carry over certain paid time off as follows: Police employees are allowed to carry over 7 days of vacation for twelve months, and may accumulate a sick leave bank. At retirement, Police are compensated for sick time carried over to a maximum of 540 accumulated hours, and unused vacation and personal days. Non-uniformed employees are allowed to carry over 400 PTO hours in the next vacation year, and are compensated for all unused PTO at retirement.

Discretely Presented Component Unit - The Authority does not compensate unpaid sick time upon employees' termination or retirement. The estimated value of vacation time owed to employees who may be paid in subsequent years or upon termination or retirement and, therefore, payable from future resources is recorded in the current year.

***8. Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***9. Deferred Outflows/Inflows of Resources and Unearned Revenue***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

***9. Deferred Outflows/Inflows of Resources and Unearned Revenue (continued)***

The Township has the following that qualify for reporting in this category:

1. *Unamortized deferred loss on refunding* is reported in the government-wide statement of net position. A deferred charge 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.
2. *Differences between expected and actual experience* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
3. *Change in assumptions* is reported in the government-wide statement of net position. A difference results from a change in actuarial assumptions for the pension plan. These amounts are deferred and amortized over a four to ten-year period.
4. *Contributions made after the measurement date* is reported in the government-wide statement of net position. The OPEB measurement date is January 1, 2020. These amounts are deferred and recognized as an outflow of resources in the next period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has the following items that qualify for reporting in this category.

1. *Differences between expected and actual experience* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

***9. Deferred Outflows/Inflows of Resources and Unearned Revenue (continued)***

2. *Change in assumptions* is reported in the government-wide statement of net position. A difference results from a change in actuarial assumptions for the pension plan. These amounts are deferred and amortized over a four to ten-year period.
3. *Net difference between projected and actual earnings on investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five-year period.
4. *Unavailable revenue - property taxes* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Discretely Presented Component Unit* - Developers pay the Authority for tapping fees prior to the construction of distribution and collection lines. The fees are recorded as unearned income when received and recognized as nonoperating revenues when the developer connects the water and sewer lines to the system.

**10. *Net Position***

In the government-wide financial statements, net position is classified as follows:

**Net investment in capital assets** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

	Governmental	Component Units	
		Water & Sewer	Warwick Township
	Activities	Authority	Fire Company No. 1
Net Investment in Capital Assets			
Capital assets not being depreciated	\$ 11,350,590	\$ 589,301	\$ -
Capital assets being depreciated, net	6,579,469	33,049,692	3,060,482
Less: Long-term debt outstanding	(2,817,122)	-	(2,219,902)
Total Net Investment in Capital Assets	<u>\$ 15,112,937</u>	<u>\$ 33,638,993</u>	<u>\$ 840,580</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

**10. *Net Position (continued)***

**Restricted net position** - This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** - This category represents net position of the entity, not restricted for any project or other purpose.

**11. *Fund Balance***

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds consists of the following.

**Nonspendable fund balance** - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted fund balance** - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed fund balance** - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance.)

**Assigned fund balance** - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the Township Manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

***11. Fund Balance (continued)***

Emergency Reserve - By Board Resolution, twenty-five percent (25%) of all regular general fund operating revenues as determined by the Township financial statements shall be held in reserve and not be available for normal expenditure in annual budgets or to supplement normal and ordinary budgetary operational and capital expenses. Through emergency or Board resolution the funds may be spent.

**Unassigned fund balance** - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

***12. New Accounting Pronouncements***

*GASB Codification Section L20, Leases (GASB 87)*: GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This Statement is expected to have an implementation date for fiscal years beginning after December 15, 2021.

***13. Subsequent events***

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. There were no significant events to record or report.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**II. Stewardship, compliance, and accountability**

**A. *Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All annual appropriations lapse at fiscal year-end.

During October, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Supervisors. There were no budget revisions made during the year. The Board authorized the use of unallocated fund balance in 2020. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

For the year ended December 31, 2020, expenditures exceeded budget in the General Fund in the category of culture and recreation and employee benefits, insurance and other, by \$2,000 and \$84,574, respectively. The excess expenditures were funded by greater than anticipated revenues.

For the year ended December 31, 2020, the Capital projects fund had a deficit fund balance of \$39,348. The deficit will be funded in the future with interfund transfers.

**III. Detailed notes on all funds**

**A. *Deposits and investments***

*Custodial Credit Risk - Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. As of year-end, the Township's bank balance was \$13,897,860. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,201,850 was invested in externally pooled investments, which are not subject to credit risk. Any balances exceeding depository insurance and investment in risk pools, are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The investment in externally pooled investments is considered cash equivalents due to the short maturity of those investments.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

**A. *Deposits and investments (continued)***

*Investment Pool* - The Township has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Township can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

As of year-end, Warwick Township Water and Sewer Authority's bank balance, a discretely presented component unit, was \$2,253,950. Of the bank balance, \$637,276 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

As of year-end, Warwick Township Fire Company No. 1's bank balance, a discretely presented component unit, was \$436,438. Of the bank balance, all was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

*Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I. D. 1.

*Interest Rate Risk:* This is the risk that changes in interest rates will adversely affect the fair market value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the maximum maturity of a security to no longer than twenty years, with the average maturity of the portfolio being no longer than ten years.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

**A. *Deposits and investments (continued)***

Discretely Presented Component Units: Warwick Township Water and Sewer Authority has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Warwick Township Fire Company, No. 1 does not have an investment policy.

*Credit Risk:* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note 1. D. 1. The government does not have a formal investment policy for credit risk. The government's investments in the external investment pool and the money market funds were rated AAAM by Standard & Poor's.

*Concentration of Credit Risk:* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

Discretely Presented Component Units: There were no concentrations of credit risk for Warwick Township Water and Sewer Authority and Warwick Township Fire Company, No. 1.

*Fair Value Measurements:* The Township categorizes its fair value measurements within the 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 significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2020:

	<u>Fair Value</u>	<u>Fair Value Level</u>	<u>Maturities &lt; 1 year</u>
<b>GOVERNMENTAL FUNDS</b>			
Externally Pooled Investments	\$ 1,201,850	Level 2	\$ 1,201,850
Certificates of Deposit	<u>490,000</u>	N/A	<u>490,000</u>
Total Governmental Funds	<u>\$ 1,691,850</u>		<u>\$ 1,691,850</u>
<b>FIDUCIARY FUNDS</b>			
Mutual Funds - Equity	\$ 390,598	Level 1	\$ 390,598
Mutual Funds - Bonds	34,739	Level 1	34,739
Exchange Traded Funds (ETFs)	<u>18,021,843</u>	Level 1	<u>18,021,843</u>
Total Fiduciary Funds	<u>\$ 18,447,180</u>		<u>\$ 18,447,180</u>

Warwick Township Fire Company, No. 1 investments are Level 1 mutual funds.



WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

***B. Receivables and due from other governments***

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 793,889	\$ 16,503	\$ 810,392
Accounts	<u>232,508</u>	<u>-</u>	<u>232,508</u>
Total Receivables	<u>\$ 1,026,397</u>	<u>\$ 16,503</u>	<u>\$ 1,042,900</u>

Due from Fire Company - In 2018, the Township loaned \$1,660,268 to Warwick Fire Company, No 1., a component unit of Warwick Township. The loan is due in annual installments of \$55,342 through the year 2047. There is no stated interest. At December 31, 2020 the balance outstanding and the scheduled maturities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2021	\$ 55,342
2022	55,342
2023	55,342
2024	55,342
2025	55,342
Thereafter	<u>1,199,084</u>
	<u>\$ 1,475,794</u>

Discretely Presented Component Units - Warwick Township Water & Sewer Authority notes receivable relate to tapping and connection fees billed to residential customers. The notes accrue interest at 6% and are payable over five years.

Scheduled future maturities of note receivables at December 31, 2020 are: \$26,800 in 2021 and \$13,400 in 2022. The remaining amount reported in receivables for Warwick Township Water & Sewer Authority are amounts receivable from customer usage of water and sewer services.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

**C. *Capital assets***

Capital asset activity for the year ended December 31, 2020 was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities</u></b>				
Capital Assets, not depreciated				
Land	\$ 11,286,301	\$ -	\$ -	\$ 11,286,301
Construction in progress	-	64,289	-	64,289
Total Capital Assets, not depreciated	<u>11,286,301</u>	<u>64,289</u>	<u>-</u>	<u>11,350,590</u>
Capital Assets, being depreciated				
Building and improvements	4,785,950	13,265	-	4,799,215
Vehicles	1,660,971	158,945	(7,185)	1,812,731
Equipment	1,054,951	91,680	-	1,146,631
Infrastructure	<u>4,470,020</u>	<u>456,311</u>	<u>-</u>	<u>4,926,331</u>
Total Capital Assets, being depreciated	<u>11,971,892</u>	<u>720,201</u>	<u>(7,185)</u>	<u>12,684,908</u>
Less Accumulated Depreciation				
Building and improvements	2,284,114	131,725	-	2,415,839
Vehicles	1,251,017	144,594	(7,185)	1,388,426
Equipment	768,543	55,944	-	824,487
Infrastructure	<u>1,232,013</u>	<u>244,674</u>	<u>-</u>	<u>1,476,687</u>
Total Accumulated Depreciation	<u>5,535,687</u>	<u>576,937</u>	<u>(7,185)</u>	<u>6,105,439</u>
Total Capital Assets, being depreciation, net	<u>6,436,205</u>	<u>143,264</u>	<u>-</u>	<u>6,579,469</u>
Governmental Activities Capital Assets, net	<u>\$ 17,722,506</u>	<u>\$ 207,553</u>	<u>\$ -</u>	<u>\$ 17,930,059</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

**C. *Capital assets (continued)***

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

Governmental Activities	
Administrative	\$ 107,892
Police & Emergency Services	105,920
Codes & Planning	5,951
Public Works	201,163
Park & Recreation	<u>156,011</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 576,937</u>

Discretely Presented Component Units - Warwick Township Water and Sewer Authority capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not depreciated				
Land	\$ 551,571	\$ -	\$ -	\$ 551,571
Construction in progress	<u>523,176</u>	<u>37,730</u>	<u>(523,176)</u>	<u>37,730</u>
Total Capital Assets, not depreciated	<u>\$ 1,074,747</u>	<u>\$ 37,730</u>	<u>\$ (523,176)</u>	<u>\$ 589,301</u>
Capital Assets, being depreciated				
Plant facilities	\$ 57,663,636	\$ 2,149,670	\$ -	\$ 59,813,306
Plant equipment	489,004	-	-	489,004
Leasehold improvements	321,627	-	-	321,627
Furniture and equipment	183,804	-	-	183,804
Vehicles	<u>259,516</u>	<u>38,235</u>	<u>-</u>	<u>297,751</u>
Total Plant and Equipment	58,917,587	2,187,905	-	61,105,492
Accumulated depreciation	<u>(26,466,957)</u>	<u>(1,593,338)</u>	<u>-</u>	<u>(28,060,295)</u>
Total Capital Assets, being depreciation, net	<u>\$ 32,450,630</u>	<u>\$ 594,567</u>	<u>\$ -</u>	<u>\$ 33,045,197</u>
Component Unit Activities Capital Assets, net	<u>\$ 33,525,377</u>	<u>\$ 632,297</u>	<u>\$ (523,176)</u>	<u>\$ 33,634,498</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

***C. Capital assets (continued)***

Construction in progress - The Authority entered into an agreement to design, construct and operate certain facilities to extend public water connections to six property locations with private wells that are above the United States Environmental Protection Agency Health Advisory levels of Perflourinated Compounds. The construction of the water main extension was complete and closed out in 2020. The contract award was for \$2,157,518. To date, the Authority received Federal matching funds in the amount of \$1,987,768.

The Authority has completed a water main extension to provide a complete loop of the water system and to aid in the interconnection of the northern and southern water system for the Authority. The project will extend the line from Eddows Road through the Moland House property to an existing connection point at York Road. Punchlist items related to final restoration and paving are currently being addressed by the contractor.

Discretely Presented Component Units - Warwick Township Fire Company, No. 1 capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being depreciated				
Fire trucks	\$ 1,124,022	\$ -	\$ -	\$ 1,124,022
Vehicles	93,982	-	-	93,982
Equipment	156,156	-	-	156,156
Building	3,755,857	-	-	3,755,857
Total Plant and Equipment	5,130,017	-	-	5,130,017
Accumulated depreciation	(1,935,398)	(134,137)	-	(2,069,535)
Total Capital Assets, being depreciation, net	<u>\$ 3,194,619</u>	<u>\$ (134,137)</u>	<u>\$ -</u>	<u>\$ 3,060,482</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

***D. Interfund receivables, payables, and transfers***

Interfund transfers:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$ 320,000
Non Major Funds	340,000	20,000
Total	<u>\$ 340,000</u>	<u>\$ 340,000</u>

Interfund transfers are primarily a result of:

(1) to fund capital projects and acquisitions

***E. Leases***

**Operating Leases**

The Authority leases office space from the Township on the 3<sup>rd</sup> floor of the Township building. The lease is for five years and expires on December 31, 2023. The current monthly rent is \$4,000. Rent expense for 2020 was \$48,000. Annual rent expense through December 31, 2020 will amount to \$48,000 annually with a total rent commitment of \$144,000. The Authority may elect to extend the lease for an additional five-year term with rent to be increased based on the increase in the Consumer Price Index (CPI) at the end of the lease.

The Fire Company leases office space to the Warwick Fire Relief Association for a term of 25 years commencing September 2013. The minimum monthly rental will be \$3,958 for the first 5 years and increase 5% every 5 years with the lease terminating in July 2038.

Future minimum rents	
2021	\$ 10,180
2022	10,180
2023	10,180
2024	10,647
2025	10,685
Thereafter	<u>209,877</u>
	<u>\$ 261,749</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

***F. Long-term debt***

General Obligation Notes

The government issues general obligation notes to provide funds for the acquisition and construction of major capital facilities, the purchase of open space, and other capital projects.

The original amount of general obligation notes issued in prior years was \$8,203,093. General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 15-20 year serial notes with varying amounts of principal maturing each year. General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.5-2.7%	<u>\$ 2,817,122</u>

Annual debt service requirements to maturity for general obligation notes are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>General Obligation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 805,272	\$ 52,813	\$ 858,085
2022	811,568	35,468	847,036
2023	535,618	19,483	555,101
2024	509,664	65,444	575,108
2025	<u>155,000</u>	<u>1,604</u>	<u>156,604</u>
	<u>\$ 2,817,122</u>	<u>\$ 174,812</u>	<u>\$ 2,991,934</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

***F. Long-term debt (continued)***

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Note payable	\$ 3,613,083	\$ -	\$ (795,961)	\$ 2,817,122	\$ 805,273
Capital lease	-	-	-	-	-
Net pension liability	1,044,851	(454,439)	(590,412)	-	-
OPEB obligation	645,770	44,885	(63,065)	627,590	-
Compensated absences	<u>559,415</u>	<u>-</u>	<u>2,530</u>	<u>561,945</u>	<u>79,731</u>
Governmental activity					
Long-term liabilities	<u>\$ 5,863,119</u>	<u>\$ (409,554)</u>	<u>\$ (1,446,908)</u>	<u>\$ 4,006,657</u>	<u>\$ 885,004</u>

Debt service for general obligation bonds, notes, and capital leases are funded primarily from taxes for governmental activities. Any liabilities for compensated absences, net pension liabilities, or OPEB obligations are generally liquidated by the general fund for governmental activities.

Due to Fire Companies - The Township has a payable recorded as due to others in the amount of \$669,026, which is an accumulation of real estate taxes collected to support fire protection services. The balance consists of amounts due to Warwick Township Fire Company and Hartsville Fire Company in the amount of \$647,062 and \$21,967, respectively.

Warwick Township Fire Company, No. 1: Notes payable of \$59,444 and \$28,144 are due in monthly installments with a final maturity of 2026, interest is payable at 2% annually. A note payable in the amount of \$673,822 is due in monthly installments with a maturity of 2038, interest is payable at 3% annually. A note payable to Warwick Township of \$1,458,493, the loan is interest free.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**III. Detailed notes on all funds (Continued)**

***F. Long-term debt (continued)***

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending December 31,	Warwick Township Fire Co. No 1		
	Principal	Interest	Total
2021	\$ 94,520	\$ 21,816	\$ 116,336
2022	95,553	20,783	116,336
2023	96,613	19,723	116,336
2024	97,105	18,665	115,770
2025	91,280	17,333	108,613
2026-2030	416,922	73,390	490,312
2031-2035	434,165	50,987	485,152
2036-2040	460,115	25,038	485,153
2041-2045	343,236	1,865	345,101
2046-2050	90,393	-	90,393
	<u>\$ 2,219,902</u>	<u>\$ 249,600</u>	<u>\$ 2,469,502</u>

**IV. Other information**

***A. Risk management***

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

A global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. As a result, economic uncertainties have arisen that could negatively impact the Township finances including investment income. The potential impact is unknown at this time.



WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***B. Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

The Township participates in the following public entity risk pools. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. Settled claims from these risks have not exceeded insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

- Delaware Valley Property & Liability Trust - The insurance expense for the year ended December 31, 2020 was \$94,723. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2020, there were no additional assessments due or anticipated; instead, the pool declared a dividend of which the Township's share was \$28,580.
- Delaware Valley Workers' Compensation Trust - The insurance expense for the year ended December 31, 2020 was \$95,219, and the amount payable at year end was \$30,187. The Township also paid \$4,659 as a result from a payroll audit of the 2019 coverage year. There were no additional assessments due or anticipated. An audit of the 2020 payroll will be performed in 2021. At December 31, 2020, the pool declared a dividend of which the Township's share was \$7,010.
- Delaware Valley Health Trust - The insurance expense for the year ended December 31, 2020 was \$839,338. There were no additional assessments due or anticipated. At December 31, 2020, the pool did not declare a dividend.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***C. Commitments***

Discretely Presented Component Unit - Warwick Township Water and Sewer Authority.

Water Service Contract

Effective November 1, 1998, the Authority signed a twenty-five (25) year contract with Aqua Pennsylvania to provide water to its service area.

For the period November 28, 2019 through November 27, 2020, the monthly charge was \$45,721 for up to 600,000 gallons per day, and \$2.21 for every thousand gallons in excess of 600,000 gallons per day up to 800,000 gallons per day, and \$2.15 for every thousand gallons in excess of 800,000 gallons per day. Aqua increased its rates to \$46,093 for up to 600,000 gallons per day, and \$2.23 for every thousand gallons in excess of 600,000 gallons per day up to 800,000 gallons per day, and \$2.17 for every thousand gallons in excess of 800,000 gallons per day effective November 28, 2020.

North Wales Water Authority - Water Supply Agreement

In November 2011, the Authority signed a ten (10) year agreement (with a five (5) year renewal option) with the North Wales Water Authority for the supply of water to the Authority for sale to customers. The agreement has a minimum daily consumption rate of 100,000 gallons per day and a maximum of 800,000 gallons per day. In addition, the Authority shall purchase on an annual basis an average of 200,000 gallons per day from North Wales Water Authority. The Authority will be charged \$2.50 (the base rate) per thousand gallons up to 800,000 gallons per day and 1.5 times the base rate per thousand gallons over 800,000 gallons per day for a period of 48 months, at which point the base rate will be adjusted.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans***

Plan Description and Membership

The Township sponsors two single employer defined benefit pension plans, the Non-Uniformed Employees' Pension Plan and the Police Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2019. Details below are from the valuation.

*Police Pension Defined Benefit Pension Plan* - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township. An employee enters the plan on the day he becomes a full-time police officer.

*Non-Uniformed Employees' Defined Benefit Pension Plan* - The plan is a contributory, single employer defined benefit plan that covers all full-time permanent, non-uniformed employees of the Township who join the Plan on the first day of the month coincident with or following the completion of one year of service and attainment of age 21. The plan was closed to new entrants hired after September 9, 2013.

The Pension Plans are governed by the Board of Supervisors who have established a Finance Advisory Committee authorized to make recommendations to the Board in its finance and investment-related planning, including review of pension plan finances for both the Police Pension Plan and the Non-Uniform Pension Plan. The Finance Advisory Committee consists of five members appointed by the Board, plus a Police employee representative from the Police Benevolent Association. The Committee meets quarterly for the purpose of reviewing the investment performance with the investment manager.

At December 31, 2020, Warwick Township Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	<u>Non-Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits (1)	8	11
Inactive employees entitled to benefits but not yet receiving them	3	12
Active employees	<u>16</u>	<u>6</u>
	<u>27</u>	<u>29</u>

(1) Includes 1 DROP member

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

**Benefits Provided**

*Police Pension Defined Benefit Pension Plan:* The plan provides retirement, death, and disability to the plan members and their beneficiaries. Monthly retirement benefit is equal to 50% of the officer's 36-month average monthly pay at retirement. All benefits are vested after twelve years of credited service. An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30%, and a maximum pension benefit of 75% of the salary used for computing retirement benefits. If a participant is totally and permanently disabled in the line of duty he is eligible for disability pension. For police employees hired prior to January 1, 2013, the disability pension is equal to 75% of the officer's 36-month average salary at the time of disability. For police employees hired after January 1, 2013, the disability is equal to 50% of the officer's 36-month average salary at the time of disability. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the plan are financed through investment earnings.

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not less than one year nor more than five years. The monthly pension shall be calculated as of the date of participation in the program and shall be distributed in a lump sum at retirement.

*Non-Uniformed Defined Benefit Pension Plan:* The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. A member is eligible for normal retirement after attainment of age 65. The normal retirement benefit is a monthly benefit equal to 1.2 % of the first \$800 of Average Monthly Compensation plus 1.8% of any excess of the Average Monthly Compensation over \$800, all multiplied by years and completed month of full-time employment. Compensation is averaged over the last 36 months of W-2 pay. A member is eligible for early retirement after attainment of age 55 and completion of 10 years of service. The early retirement pension is the actuarial equivalent of the member's accrued benefit payable at normal retirement. If a member suffers a total and permanent disability as defined in the plan and has completed 10 years of full-time employment, he is eligible for disability pension. The disability pension is equal to the benefit based on the accrued pension as of the date of disability reduced by the full amount of worker's compensation. The disability pension shall commence 6 months after the date of disablement. An annual cost-of-living adjustment of 2% per year is made to retirees with a maximum total cost-of-living increase of 30%. Employees hired after January 1, 2012, shall not receive any cost-of-living increase from the plan. Benefits and Contribution provisions are established by Pennsylvania law. All benefits are vested after five years of credited service.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

*Non-Uniformed Defined Benefit Pension Plan (continued)*

Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Measurement Focus and Basis of Accounting

*Basis of Accounting:* Pension plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of plan administration is charged against the earnings of the plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

*Method Used to Value Investments:* Pension plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Non-Uniform members hired after October 1, 2005, and all police members, contribute 5% of their pay. Interest is credited to each member's account annually at 4% annual interest for police members, and at the fund's rate of return for non-uniformed members. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$251,115 for the pensions for the year ended December 31, 2020.

**Investments**

*Investment Policy:* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

*Rate of Return:* For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of investment expense was 15.87% for the police plan and 14.19% for the Non-Uniformed Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability (Asset)**

The components of the net pension liability (asset) of participating entities at December 31, 2020 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 13,437,615	\$ 4,433,507
Plan fiduciary net position	<u>(13,623,078)</u>	<u>(5,001,573)</u>
Net pension liability (asset)	<u>\$ (185,463)</u>	<u>\$ (568,066)</u>
Plan fiduciary net position as a percentage of the total pension liability	101%	113%

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

*Actuarial Assumptions:* The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniformed</u>	
Inflation	3.0%	3.0%	
Salary Increases	5.0%	5.0%	(average, including inflation)
Investment Rate of Return	7.25%	7.25%	(including inflation)
Post-retirement Cost of Living Increase	2.5%	2.0%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

The net pension liability for police was measured as of December 31, 2020 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. There were no changes to benefit terms or assumptions since January 1, 2019.

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 pension plan's target asset allocation as of January 1, 2019 as summarized as follows:

	Target	Long-term Expected
<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Domestic Equity	50.0%	5.50% - 7.50%
International Equity	21.0%	4.50% - 6.50%
Fixed Income	26.0%	1.00% - 3.00%
Cash	3.0%	0.00% - 1.00%

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25% for both the Non-Uniformed and Police Pension Plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b><u>Police Pension Plan</u></b>			
Balance at December 31, 2019	\$ 12,622,741	\$ 11,577,890	\$ 1,044,851
Changes for the year:			
Service cost	323,277	-	323,277
Interest	935,692	-	935,692
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	530,011	(530,011)
Contributions - employee	-	99,352	(99,352)
Net investment income	-	1,860,560	(1,860,560)
Benefit payments, including refunds of employee contributions	(444,095)	(444,095)	-
Administrative expense	-	(640)	640
Other changes	-	-	-
Net Changes	<u>814,874</u>	<u>2,045,188</u>	<u>(1,230,314)</u>
Balance at December 31, 2020	<u>\$ 13,437,615</u>	<u>\$ 13,623,078</u>	<u>\$ (185,463)</u>



WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b><u>Non-Uniformed Pension Plan</u></b>			
Balance at December 31, 2019	\$ 4,224,423	\$ 4,438,013	\$ (213,590)
Changes for the year:			
Service cost	45,281	-	45,281
Interest	304,455	-	304,455
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	80,564	(80,564)
Contributions - employee	-	-	-
Net investment income	-	628,673	(628,673)
Benefit payments, including refunds of employee contributions	(140,652)	(140,652)	-
Administrative expense	-	(5,025)	5,025
Other changes	-	-	-
Net Changes	<u>209,084</u>	<u>563,560</u>	<u>(354,476)</u>
Balance at December 31, 2020	<u>\$ 4,433,507</u>	<u>\$ 5,001,573</u>	<u>\$ (568,066)</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of participating entities calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)			
Police	\$ 1,635,030	\$ (185,463)	\$ (1,693,106)
Non-Uniformed	(40,872)	(568,066)	(1,012,147)

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

*Deferred Outflows and Inflows of Resources:* For the year ended December 31, 2020, the Township recognized pension expense of \$20,415 for Police Pension and (\$80,598) for Non-Uniformed Pension. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 19,652	\$ 280,057
Changes in assumptions	473,281	-
Net difference between projected and actual earnings on pension plan investments	-	1,166,167
Total	<u>\$ 492,933</u>	<u>\$ 1,446,224</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 103,263
Changes in assumptions	57,272	-
Net difference between projected and actual earnings on pension plan investments	-	391,744
Total	<u>\$ 57,272</u>	<u>\$ 495,007</u>

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

Year Ended		
<u>December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2021	\$ (287,864)	\$ (136,970)
2022	(147,042)	(75,467)
2023	(421,595)	(163,441)
2024	(173,854)	(61,857)
2025	29,040	-
Thereafter	48,024	-
Total	<u>\$ (953,291)</u>	<u>\$ (437,735)</u>

*Payable to the Defined Benefit Pension Plans:* For the year ended December 31, 2020 there were no amounts payable for contributions to the pension plans.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***D. Defined benefit pension plans (continued)***

Deferred Retirement Option Program

The Police Pension Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. A member is eligible to enter the DROP program on or after his normal retirement date. Upon entering the DROP program, the member's retirement benefit is frozen and his retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. The member must retire within 60 months after entering the DROP. As of December 31, 2020, the DROP account balance held by the plan pursuant to a DROP was \$70,843.

Non-Uniformed Defined Contribution Pension Plan

Warwick Township sponsors a defined contribution pension plan to provide pension benefits for all full-time non-uniformed employees of the Township hired after, or who opted into the plan after, the transition date of September 9, 2013. As of December 31, 2020, there were 10 active participants in the plan. The Township is required to contribute 6% of eligible compensation annually. Employer contributions to the plan for 2020 totaled \$46,585. Participants are not required to contribute but may make voluntary contributions. There were no employee contributions during 2020. Plan provisions and contribution requirements are established and may be amended by ordinance enacted by the Warwick Township Board of Supervisors.

Each full-time, permanent, non-uniformed employee of the Township hired on or after September 9, 2013 shall become eligible upon completion of six months of service and attaining age 21. In 2018, the plan was amended to allow employees under age 21 to participate in the plan. The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. All amounts are fully vested. Administrative costs of the plan are financed through investment earnings. The plan is managed by an outside trustee appointed by the Township.

This plan is part of the Non-Uniformed Employees' Pension Plan. It is reported as Pension Trust Fund in the accompanying financial statements and does not issue stand-alone reports. Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Pension Plan investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the transaction date. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

**E. *Other post-employment benefits***

Warwick Township sponsors a single-employer defined benefit post-employment plan to provide post-employment benefits for employees of the Township. The plan was established and is governed by the provisions of the collective bargaining agreement between the Township and the police officers, to provide continuation of medical, dental, prescription, and vision insurance for officers who retire from the Township. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The plan does not issue a stand-alone financial report.

At December 31, 2020 the plan consisted of the following.

Inactive employees (or their beneficiaries)	
currently receiving benefits	0
Inactive employees entitled to benefits	
but not yet receiving them	0
Active employees	<u>17</u>
	<u>17</u>

*Eligibility:* An officer will be eligible for coverage upon retirement after attainment of age 55 with 25 years of service, upon termination with at least 12 years of service, upon an in-service disability or upon a death in service.

*Benefits Provided:* Established through police contract, the Township administers a single-employer defined benefit plan to provide for certain post-employment healthcare benefits. The Township will provide and continue in effect the then current medical, hospitalization, major medical, vision care, and cafeteria fund coverage for a police employee and covered dependents for five years following the date of retirement of such police employee who is eligible for pension benefits under the plan. In the event of the death or disability of a police employee while they are an employee, their spouse and dependent children will be covered for five years.

In 2013, per the renegotiated Police Labor Contract, the Township offered a secondary option for retired health: a one-time \$60,000 in lieu of receiving five-years post-retirement health. In the years 2013 through 2020, Seven employees accepted the buy-out for a total of \$420,000. This reduced the total liability for the post-retirement plan.

*Contributions:* Employees and retirees do not contribute to the plan. Contribution requirements are established, and may be amended, by the collective bargaining agreement between the Township and police officers. The medical premiums for retired members are paid from the Township's General Fund monthly as they come due.

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***E. Other post-employment benefits (continued)***

Net OPEB Liability

The Township's net OPEB liability was measured as of the Plan Measurement Date of January 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The net OPEB liability was measured as of the Plan Measurement Date of January 1, 2020. There were no changes to benefit terms. The discount rate decreased from 3.64% to 3.26% during 2020.

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study from the period January 1, 2018 to December 31, 2019.

*Actuarial Assumptions:* The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.50%
Salary Increases	5.00% (including inflation)
Investment Rate of Return	3.26% (net of OPEB plan investment expense, including inflation)
Healthcare Cost Trend Rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

*Change in Net OPEB Liability*

<u>OPEB Plan</u>	<u>Total OPEB Liability</u>
Balance at January 1, 2019 - Measurement Date	\$ 645,770
Changes for the year:	
Service cost	44,885
Interest	25,012
Differences between expected and actual experience	(96,466)
Change of assumptions	14,863
Benefit payments, including refunds of employee contributions	<u>(6,474)</u>
Net Changes	<u>(18,180)</u>
Balance at January 1, 2020 - Measurement Date	<u>\$ 627,590</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***E. Other post-employment benefits (continued)***

*Discount Rate:* The discount rate used to measure the total OPEB liability was 3.26 percent, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 3.26 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>(2.26%)</u>	Current Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Net OPEB liability	\$ 661,816	\$ 627,590	\$ 594,174

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease Valuation <u>Rates</u>	Healthcare Cost Trend <u>Valuation Rates</u>	1% Increase Valuation <u>Rates</u>
Net OPEB liability	\$ 586,710	\$ 627,590	\$ 675,024

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***E. Other post-employment benefits (continued)***

OPEB Expense, and Deferred Outflows and Inflows of Resources

For the Plan Measurement Date of January 1, 2020, the actuarial determined expense for the OPEB Plan was \$63,802. For the Measurement Date of January 1, 2020, the Township reported the following deferred outflows and inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b><u>OPEB Plan</u></b>		
Differences between expected and actual experience	\$ -	\$ 89,677
Changes in assumptions	31,834	16,573
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contribution made subsequent to Measurement Date	<u>5,704</u>	<u>-</u>
Total	<u>\$ 37,538</u>	<u>\$ 106,250</u>

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

Year Ended <u>December 31:</u>	Governmental- <u>Activities</u>
2021	\$ (6,095)
2022	(6,095)
2023	(6,095)
2024	(6,095)
2025	(6,095)
Thereafter	<u>(43,941)</u>
Total	<u>\$ (74,416)</u>

WARWICK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**IV. Other information (Continued)**

***F. Escrow cash deposits and investments***

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2020, \$823,368 represents the balance of these monies held in escrow.

Discretely Presented Component Unit - The Authority held escrows of \$136,698 for developers at December 31, 2020.



**REQUIRED  
SUPPLEMENTAL INFORMATION**

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>							
Service cost	\$ 323,277	\$ 307,883	\$ 294,224	\$ 280,213	\$ 257,137	\$ 244,892	\$ 274,687
Interest	935,692	872,282	814,895	758,843	693,518	641,158	588,193
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(196,023)	-	(212,658)	-	58,958	-
Changes of assumptions	-	366,866	-	313,233	-	-	-
Benefit payments, including refunds of employee contributions	(444,095)	(325,880)	(285,138)	(206,236)	(200,374)	(199,942)	(171,753)
Net change in total pension liability	814,874	1,025,128	823,981	933,395	750,281	745,066	691,127
Total pension liability - beginning	<u>12,622,741</u>	<u>11,597,613</u>	<u>10,773,632</u>	<u>9,840,237</u>	<u>9,089,956</u>	<u>8,344,890</u>	<u>7,653,763</u>
Total pension liability - ending (a)	<u>\$ 13,437,615</u>	<u>\$ 12,622,741</u>	<u>\$ 11,597,613</u>	<u>\$ 10,773,632</u>	<u>\$ 9,840,237</u>	<u>\$ 9,089,956</u>	<u>\$ 8,344,890</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 530,011	\$ 512,045	\$ 518,869	\$ 507,560	\$ 498,019	\$ 517,082	\$ 403,255
Contributions - employee	99,352	102,341	99,868	98,512	91,590	89,040	87,336
Net investment income	1,860,560	1,958,615	(637,087)	1,314,070	567,729	(60,556)	298,876
Benefit payments, including refunds of employee contributions	(444,095)	(325,880)	(285,138)	(206,236)	(200,374)	(199,942)	(171,753)
Administrative expense	(640)	(6,085)	(3,550)	(5,825)	(7,800)	(5,300)	(4,250)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	2,045,188	2,241,036	(307,038)	1,708,081	949,164	340,324	613,464
<b>Plan fiduciary net position - beginning</b>	<u>11,577,890</u>	<u>9,336,854</u>	<u>9,643,892</u>	<u>7,935,811</u>	<u>6,986,647</u>	<u>6,646,323</u>	<u>6,032,859</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 13,623,078</u>	<u>\$ 11,577,890</u>	<u>\$ 9,336,854</u>	<u>\$ 9,643,892</u>	<u>\$ 7,935,811</u>	<u>\$ 6,986,647</u>	<u>\$ 6,646,323</u>
<b>Township's net pension liability (asset) - ending (a)-(b)</b>	<u>\$ (185,463)</u>	<u>\$ 1,044,851</u>	<u>\$ 2,260,759</u>	<u>\$ 1,129,740</u>	<u>\$ 1,904,426</u>	<u>\$ 2,103,309</u>	<u>\$ 1,698,567</u>
Plan fiduciary net position as a percentage of the total pension liability	101.4%	91.7%	80.5%	89.5%	80.6%	76.9%	79.6%
Covered payroll	\$ 1,859,622	\$ 1,925,129	\$ 1,960,179	\$ 2,023,328	\$ 1,882,667	\$ 1,830,211	\$ 1,694,126
Township's net pension liability as a percentage of covered payroll	-10.0%	54.3%	115.3%	55.8%	101.2%	114.9%	100.3%
Annual money weighted return, net of investment expenses	15.87%	20.87%	-6.58%	16.48%	7.94%	-0.94%	4.99%

**Notes to Schedule:**

Change in benefit terms and assumptions: None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – NON-UNIFORMED PENSION PLAN

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>							
Service cost	\$ 45,281	\$ 43,125	\$ 74,275	\$ 70,738	\$ 90,779	\$ 86,456	\$ 115,845
Interest	304,455	289,816	290,791	273,548	250,705	233,533	239,088
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(206,525)	-	(100,660)	-	(313,258)	-
Changes of assumptions	-	114,546	-	195,398	-	-	-
Benefit payments, including refunds of employee contributions	(140,652)	(125,712)	(117,670)	(118,160)	(105,048)	(85,664)	(87,042)
Net change in total pension liability	209,084	115,250	247,396	320,864	236,436	(78,933)	267,891
Total pension liability - beginning	4,224,423	4,109,173	3,861,777	3,540,913	3,304,477	3,383,410	3,115,519
Total pension liability - ending (a)	<u>\$ 4,433,507</u>	<u>\$ 4,224,423</u>	<u>\$ 4,109,173</u>	<u>\$ 3,861,777</u>	<u>\$ 3,540,913</u>	<u>\$ 3,304,477</u>	<u>\$ 3,383,410</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 80,564	\$ 81,873	\$ 92,038	\$ 92,084	\$ 109,960	\$ 153,581	\$ 151,473
Contributions - employee	-	-	-	3,839	6,995	9,794	11,216
Net investment income	628,673	775,291	(256,105)	565,978	253,528	(28,501)	143,509
Benefit payments, including refunds of employee contributions	(140,652)	(125,712)	(117,670)	(118,160)	(105,048)	(85,664)	(87,042)
Administrative expense	(5,025)	(6,085)	(3,550)	(5,825)	(3,225)	(5,300)	(2,050)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	563,560	725,367	(285,287)	537,916	262,210	43,910	217,106
<b>Plan fiduciary net position - beginning</b>	<u>4,438,013</u>	<u>3,712,646</u>	<u>3,997,933</u>	<u>3,460,017</u>	<u>3,197,807</u>	<u>3,153,897</u>	<u>2,936,791</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 5,001,573</u>	<u>\$ 4,438,013</u>	<u>\$ 3,712,646</u>	<u>\$ 3,997,933</u>	<u>\$ 3,460,017</u>	<u>\$ 3,197,807</u>	<u>\$ 3,153,897</u>
<b>Township's net pension liability (asset) - ending (a)-(b)</b>	<u>\$ (568,066)</u>	<u>\$ (213,590)</u>	<u>\$ 396,527</u>	<u>\$ (136,156)</u>	<u>\$ 80,896</u>	<u>\$ 106,670</u>	<u>\$ 229,513</u>
Plan fiduciary net position as a percentage of the total pension liability	112.8%	105.1%	90.4%	103.5%	97.7%	96.8%	93.2%
Covered payroll	\$ 442,593	\$ 438,034	\$ 492,916	\$ 697,441	\$ 670,512	\$ 756,820	\$ 893,337
Township's net pension liability as a percentage of covered payroll	-128.3%	-48.8%	80.4%	-19.5%	12.1%	14.1%	25.7%
Annual money weighted return, net of investment expenses	14.19%	21.02%	-6.48%	16.55%	7.96%	-0.95%	4.96%

**Notes to Schedule:**

Change in benefit terms and assumptions: None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

Fiscal Year Ended <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual Employer <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contribution as a Percentage of Covered <u>Payroll</u>
2011	\$ 351,603	\$ 351,603	\$ -	\$ 1,598,590	(1) 21.99%
2012	361,372	361,372	-	1,598,590	(1) 22.61%
2013	391,343	391,343	-	1,659,076	(1) 23.59%
2014	403,255	403,255	-	1,694,126	(1) 23.80%
2015	517,082	517,082	-	1,830,211	28.25%
2016	498,019	498,019	-	1,882,667	26.45%
2017	507,560	507,560	-	2,023,328	25.09%
2018	518,869	518,869	-	1,960,179	26.47%
2019	512,045	512,045	-	1,925,129	26.60%
2020	526,533	530,011	(3,478)	1,859,622	28.50%

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	8 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value.
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Normal Retirement Age
Mortality	RP2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Change in benefit terms: None since 1/1/2017

Change in assumptions: The discount rate decreased from 7.5% to 7.25% in 2018.

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Fiscal Year Ended <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual Employer <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contribution as a Percentage of Covered <u>Payroll</u>
2011	\$ 164,352	\$ 164,352	\$ -	\$ 879,856	(1) 18.68%
2012	145,791	145,791	-	879,856	(1) 16.57%
2013	141,959	141,959	-	1,073,564	(1) 13.22%
2014	151,473	151,473	-	893,337	16.96%
2015	153,581	153,581	-	756,820	20.29%
2016	109,960	109,960	-	670,512	16.40%
2017	92,084	92,084	-	697,441	13.20%
2018	92,038	92,038	-	492,916	18.67%
2019	81,873	81,873	-	438,034	18.69%
2020	80,564	80,564	-	442,593	18.20%

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	5 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value.
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Normal Retirement Age
Mortality	RP2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Change in benefit terms: None since 1/1/2017

Change in assumptions: The discount rate decreased from 7.5% to 7.25% in 2018.

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

WARWICK TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

December 31, 2020

	<u>Measurement Date</u>		
	<u>January 1,</u> <u>2020</u>	<u>January 1,</u> <u>2019</u>	<u>January 1,</u> <u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 44,885	\$ 45,733	\$ 39,395
Interest	25,012	20,455	21,341
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(96,466)	-	(787)
Changes of assumptions	14,863	(19,123)	22,641
Benefit payments	<u>(6,474)</u>	<u>(6,274)</u>	<u>(29,349)</u>
Net change in total OPEB liability	(18,180)	40,791	53,241
Total OPEB liability - beginning	<u>645,770</u>	<u>604,979</u>	<u>551,738</u>
Total OPEB liability - ending (a)	<u>\$ 627,590</u>	<u>\$ 645,770</u>	<u>\$ 604,979</u>
Covered payroll	\$ 1,916,001	\$ 2,023,358	\$ 2,023,358
Net OPEB liability as a percentage of covered payroll	32.8%	31.9%	29.9%
Annual money-weighted return, net of investment expenses	Not Applicable	Not Applicable	Not Applicable

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2020

Change in assumptions: The discount rate decreased from 3.64% to 3.26% in 2020

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WARWICK TOWNSHIP

COMBINING BALANCE SHEET-NONMAJOR  
GOVERNMENT FUNDS

December 31, 2020

	<u>Special Revenue Funds</u>			
	<u>Firehouse Equipment</u>	<u>Highway Aid</u>	<u>Park &amp; Recreation</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 668,739	\$ 108,648	\$ 439,929	\$ 1,217,316
Taxes receivable	1,704	-	1,704	3,408
Prepaid expenses	-	-	1,620	1,620
Total Assets	<u>\$ 670,443</u>	<u>\$ 108,648</u>	<u>\$ 443,253</u>	<u>\$ 1,222,344</u>
<u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 690	\$ -	\$ 20,982	\$ 21,672
Total Liabilities	<u>690</u>	<u>-</u>	<u>20,982</u>	<u>21,672</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	661	-	661	1,322
Total Deferred Inflows of Resources	<u>661</u>	<u>-</u>	<u>661</u>	<u>1,322</u>
<u>FUND BALANCES</u>				
Restricted for:				
Firehouse equipment	669,092	-	-	669,092
Highways and streets	-	108,648	-	108,648
Open space	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed for:				
Park and recreation	-	-	421,610	421,610
Assigned for:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>669,092</u>	<u>108,648</u>	<u>421,610</u>	<u>1,199,350</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 670,443</u>	<u>\$ 108,648</u>	<u>\$ 443,253</u>	<u>\$ 1,222,344</u>

Capital Projects Funds						Total Nonmajor Governmental Funds
Road Machinery	Capital Projects	P&R Capital Improvement	Capital Reserve	Total	Debt Service	
\$ 12,134	\$ 90,990	\$ 505,572	\$ 223,401	\$ 832,097	\$ 392,555	\$ 2,441,968
1,122	-	3,412	-	4,534	8,561	16,503
-	-	-	-	-	-	1,620
<u>\$ 13,256</u>	<u>\$ 90,990</u>	<u>\$ 508,984</u>	<u>\$ 223,401</u>	<u>\$ 836,631</u>	<u>\$ 401,116</u>	<u>\$ 2,460,091</u>
\$ 1,714	\$ 130,338	\$ 520	\$ -	\$ 132,572	\$ -	\$ 154,244
<u>1,714</u>	<u>130,338</u>	<u>520</u>	<u>-</u>	<u>132,572</u>	<u>-</u>	<u>154,244</u>
441	-	661	-	1,102	3,306	5,730
<u>441</u>	<u>-</u>	<u>661</u>	<u>-</u>	<u>1,102</u>	<u>3,306</u>	<u>5,730</u>
-	-	-	-	-	-	669,092
-	-	-	-	-	-	108,648
-	-	34,961	-	34,961	-	34,961
11,101	-	-	223,401	234,502	-	234,502
-	-	-	-	-	397,810	397,810
-	-	-	-	-	-	421,610
-	-	472,842	-	472,842	-	472,842
-	(39,348)	-	-	(39,348)	-	(39,348)
<u>11,101</u>	<u>(39,348)</u>	<u>507,803</u>	<u>223,401</u>	<u>702,957</u>	<u>397,810</u>	<u>2,300,117</u>
<u>\$ 13,256</u>	<u>\$ 90,990</u>	<u>\$ 508,984</u>	<u>\$ 223,401</u>	<u>\$ 836,631</u>	<u>\$ 401,116</u>	<u>\$ 2,460,091</u>



WARWICK TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENT FUNDS

For the Year Ended December 31, 2020

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Firehouse Equipment</u>	<u>Highway Aid</u>	<u>Park and Recreation</u>	
Revenues				
Real estate taxes	\$ 174,203	\$ -	\$ 174,376	\$ 348,579
Investment income	2,809	520	2,402	5,731
Intergovernmental revenues	-	472,008	65,347	537,355
Other	-	-	4,100	4,100
Total Revenues	<u>177,012</u>	<u>472,528</u>	<u>246,225</u>	<u>895,765</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	168,459	-	-	168,459
Highways and streets	-	421,398	-	421,398
Culture and recreation	-	-	396,542	396,542
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects	-	-	-	-
Total Expenditures	<u>168,459</u>	<u>421,398</u>	<u>396,542</u>	<u>986,399</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,553</u>	<u>51,130</u>	<u>(150,317)</u>	<u>(90,634)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	8,553	51,130	(150,317)	(90,634)
Fund Balance - Beginning	<u>660,539</u>	<u>57,518</u>	<u>571,927</u>	<u>1,289,984</u>
Fund Balance - Ending	<u>\$ 669,092</u>	<u>\$ 108,648</u>	<u>\$ 421,610</u>	<u>\$ 1,199,350</u>

Capital Projects Funds					Debt Service	Total Nonmajor Governmental Funds
Road Machinery	Capital Projects	P&R Capital Improvement	Capital Reserve	Total		
\$ 115,990	\$ -	\$ 174,376	\$ -	\$ 290,366	\$ 872,698	\$ 1,511,643
19	214	1,936	500	2,669	1,996	10,396
-	-	455,700	-	455,700	-	993,055
-	-	4,700	-	4,700	-	8,800
<u>116,009</u>	<u>214</u>	<u>636,712</u>	<u>500</u>	<u>753,435</u>	<u>874,694</u>	<u>2,523,894</u>
-	-	-	-	-	15,983	15,983
-	-	-	-	-	-	168,459
-	-	-	-	-	-	421,398
-	-	-	-	-	-	396,542
-	-	-	-	-	795,960	795,960
-	-	-	-	-	70,060	70,060
<u>115,962</u>	<u>394,464</u>	<u>619,532</u>	<u>-</u>	<u>1,129,958</u>	<u>-</u>	<u>1,129,958</u>
<u>115,962</u>	<u>394,464</u>	<u>619,532</u>	<u>-</u>	<u>1,129,958</u>	<u>882,003</u>	<u>2,998,360</u>
<u>47</u>	<u>(394,250)</u>	<u>17,180</u>	<u>500</u>	<u>(376,523)</u>	<u>(7,309)</u>	<u>(474,466)</u>
-	340,000	-	-	340,000	-	340,000
-	-	-	(20,000)	(20,000)	-	(20,000)
-	<u>340,000</u>	-	<u>(20,000)</u>	<u>320,000</u>	-	<u>320,000</u>
47	(54,250)	17,180	(19,500)	(56,523)	(7,309)	(154,466)
<u>11,054</u>	<u>14,902</u>	<u>490,623</u>	<u>242,901</u>	<u>759,480</u>	<u>405,119</u>	<u>2,454,583</u>
<u>\$ 11,101</u>	<u>\$ (39,348)</u>	<u>\$ 507,803</u>	<u>\$ 223,401</u>	<u>\$ 702,957</u>	<u>\$ 397,810</u>	<u>\$ 2,300,117</u>

WARWICK TOWNSHIP

COMBINING STATEMENT OF NET POSITION  
FUDUCIARY FUNDS

December 31, 2020

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>			
		<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Total Non-Uniform</u>	<u>Total</u>
<u>ASSETS</u>					
Assets					
Cash	\$ 389,321	\$ 142,644	\$ -	\$ 142,644	\$ 531,965
Investments, at fair value					
ETF Funds	13,162,914	4,858,929	-	4,858,929	18,021,843
Mutual Funds	<u>70,843</u>	<u>-</u>	<u>354,494</u>	<u>354,494</u>	<u>425,337</u>
Total Investments	<u>13,233,757</u>	<u>4,858,929</u>	<u>354,494</u>	<u>5,213,423</u>	<u>18,447,180</u>
 TOTAL ASSETS	 <u>\$ 13,623,078</u>	 <u>\$ 5,001,573</u>	 <u>\$ 354,494</u>	 <u>\$ 5,356,067</u>	 <u>\$ 18,979,145</u>
 <u>NET POSITION</u>					
Net Position - Restricted for Pension Benefits	 <u>\$ 13,623,078</u>	 <u>\$ 5,001,573</u>	 <u>\$ 354,494</u>	 <u>\$ 5,356,067</u>	 <u>\$ 18,979,145</u>

WARWICK TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY  
NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2020

	Police Pension Plan	Non-Uniformed Pension Plan			Total
		Defined Benefit	Defined Contribution	Total Non-Uniform	
<b>Additions</b>					
Contributions					
Employee	\$ 99,352	\$ -	\$ -	\$ -	\$ 99,352
Employer	362,600	43,444	-	43,444	406,044
State allocation	167,410	37,120	46,585	83,705	251,115
Total Contributions	<u>629,362</u>	<u>80,564</u>	<u>46,585</u>	<u>127,149</u>	<u>756,511</u>
<b>Investment Earnings</b>					
Net appreciation (depreciation) in fair value of investments	1,658,943	553,705	-	553,705	2,212,648
Dividends and interest	245,515	91,754	50,609	142,363	387,878
Total Investment Earnings	1,904,458	645,459	50,609	696,068	2,600,526
Less investment expense	(44,516)	(16,786)	(1,662)	(18,448)	(62,964)
Net Investment Earnings	<u>1,859,942</u>	<u>628,673</u>	<u>48,947</u>	<u>677,620</u>	<u>2,537,562</u>
 Total Additions	 <u>2,489,304</u>	 <u>709,237</u>	 <u>95,532</u>	 <u>804,769</u>	 <u>3,294,073</u>
<b>Deductions</b>					
Actuary fees	640	5,025	-	5,025	5,665
Benefits	444,095	140,652	-	140,652	584,747
Total Deductions	<u>444,735</u>	<u>145,677</u>	<u>-</u>	<u>145,677</u>	<u>590,412</u>
 Change in Net Position	 2,044,569	 563,560	 95,532	 659,092	 2,703,661
<b>Net Position - Restricted for Pension Benefits</b>					
Beginning of Year	<u>11,578,509</u>	<u>4,438,013</u>	<u>258,962</u>	<u>4,696,975</u>	<u>16,275,484</u>
End of Year	<u>\$ 13,623,078</u>	<u>\$ 5,001,573</u>	<u>\$ 354,494</u>	<u>\$ 5,356,067</u>	<u>\$ 18,979,145</u>