

**WARRINGTON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
**Year Ended December 31, 2020**

WARRINGTON TOWNSHIP  
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# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## Independent Auditor's Report

To the Board of Supervisors  
Warrington Township, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warrington Township, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Warrington Township's 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

### **Adoption of Governmental Accounting Standards Board Pronouncements**

As described in Note 1 to the financial statements, in 2020 Warrington Township adopted the provisions of Governmental Accounting Standards Board's Statement No. 84, "*Fiduciary Activities*", Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*", and Statement No. 98, "*The Annual Comprehensive Financial Report*." Our opinion is not modified with respect to this matter.



# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Supervisors  
Warrington Township, Pennsylvania

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 46, and pension and OPEB plan information on pages 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

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

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 on our consideration of Warrington Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Warrington Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warrington Township's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania  
February 18, 2022

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

*Due to the timing of the 2020 Audited Financial Statements, 2020 MD&A discusses 2020 and 2021 (Projected) financial information.*

### **FINANCIAL HIGHLIGHTS**

- The assets of Warrington Township exceeded its liabilities at the close of 2020 by \$54.6 million (net position). The Township's total net position increased by \$1.7 million compared to December 31, 2019.
- As of the close of 2020, Warrington Township's Governmental Funds reported combined ending fund balances of \$30 million. Approximately \$5.3 million of the total fund balance is available for spending at the government's discretion.
- At the end of 2020, the available Unrestricted (unassigned) fund balance for the General Fund was \$6.1 million or 44% of General Fund expenditures, which is \$14.3 million.
- Warrington Township's net total Governmental Activities Long-Term Liabilities decreased by \$2.9 million during 2020.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### ***Governmental Funds***

Warrington Township maintains eight individual major Governmental Funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Utility Proceeds Fund, Tax Rate Stabilization Fund, Open Space Fund, 2019 Capital Projects Fund, 2016 Capital Projects Fund, Capital Reserve Fund, and Debt Service Fund. Individual fund data for each of the three nonmajor Governmental Funds are provided by *combining statements* elsewhere in this report.

*\* Other governmental funds are not considered major government funds, and those funds are General Capital, Highway Aid, and Fire Funds.*

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

The combining statements referred to earlier in connection with nonmajor Governmental Funds are presented immediately following the required supplementary information. Combining individual fund statements and schedules can be found on this report: pages 54 to 57.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of Warrington Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54.6 million at the close of 2020.

The largest portion of Warrington Township's net position (62.5%) is Net Investment in Capital Assets.

#### ***Governmental Activities***

Governmental activities increased Warrington Township's net position by \$1.7 million in 2020.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

**TABLE 1**  
**CONDENSED STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and Other Assets	\$ 33,590,094	\$ 31,433,506	\$ -	\$ 9,871,430	\$ 33,590,094	\$ 41,304,936
Capital Assets						
Depreciable	51,920,162	40,322,308	-	-	51,920,162	40,322,308
Nondepreciable	8,372,124	12,610,160	-	-	8,372,124	12,610,160
<b>Total Assets</b>	<b>93,882,380</b>	<b>84,365,974</b>	<b>-</b>	<b>9,871,430</b>	<b>93,882,380</b>	<b>94,237,404</b>
<b>Deferred Outflows of Resources</b>						
Bond Discounts	19,749	-	-	-	19,749	-
Refunding	136,247	-	-	-	136,247	-
Deferred Outflows Related to OPEB	264,351	117,229	-	-	264,351	117,229
Deferred Outflows Related to Pensions	1,764,932	2,057,558	-	68,431	1,764,932	2,125,989
<b>Total Deferred Outflows of Resources</b>	<b>2,185,279</b>	<b>2,174,787</b>	<b>-</b>	<b>68,431</b>	<b>2,185,279</b>	<b>2,243,218</b>
<b>Liabilities</b>						
Long-Term Liabilities Outstanding	35,609,263	38,395,856	-	21,655	35,609,263	38,417,511
Other Liabilities	3,538,136	2,845,091	-	261,559	3,538,136	3,106,650
<b>Total Liabilities</b>	<b>39,147,399</b>	<b>41,240,947</b>	<b>-</b>	<b>283,214</b>	<b>39,147,399</b>	<b>41,524,161</b>
<b>Deferred Inflows of Resources</b>						
Deferred Gain on Defeasance of Debt	-	37,650	-	-	-	37,650
Deferred Inflows Related to OPEB	900,257	1,012,789	-	-	-	-
Deferred Inflows Related to Pensions	1,387,093	948,176	-	30,678	1,387,093	978,854
<b>Total Deferred Inflows of Resources</b>	<b>2,287,350</b>	<b>1,998,615</b>	<b>-</b>	<b>30,678</b>	<b>1,387,093</b>	<b>1,016,504</b>
<b>Net Position</b>						
Net Investment in Capital Assets	34,144,350	32,498,322	-	-	34,144,350	32,498,322
Restricted	24,717,467	23,501,289	-	-	24,717,467	23,501,289
Unrestricted	(4,228,907)	(12,698,412)	-	9,625,969	(4,228,907)	(3,072,443)
<b>Total Net Position</b>	<b>54,632,910</b>	<b>43,301,199</b>	<b>-</b>	<b>9,625,969</b>	<b>54,632,910</b>	<b>52,927,168</b>
Restatement for Consolidation	-	9,625,969	-	(9,625,969)	-	-
<b>Total Net Position, as restated</b>	<b>\$ 54,632,910</b>	<b>\$ 52,927,168</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 54,632,910</b>	<b>\$ 52,927,168</b>

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

**TABLE 2**  
**CONDENSED STATEMENTS OF CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenue						
Program Revenue						
Charges for Services	\$ 1,872,209	\$ 2,283,953	\$ -	\$ 7,258,608	\$ 1,872,209	\$ 9,542,561
Operating Grants and Contributions	1,454,049	1,619,104	-	1,048,539	1,454,049	2,667,643
Capital Grants and Contributions	1,435,526	-	-	557,154	1,435,526	557,154
General Revenue						
Taxes	12,898,261	11,276,928	-	-	12,898,261	11,276,928
Grants & Contributions Not Restricted to Specific Programs	-	7,050	-	-	-	7,050
Investment Earnings	347,973	684,828	-	153,600	347,973	838,428
Miscellaneous	1,981,178	2,273,019	-	4,744	1,981,178	2,277,763
Gain on Disposal of Assets	20,150	21,670	-	-	20,150	21,670
Total Revenue	<u>20,009,346</u>	<u>18,166,552</u>	<u>-</u>	<u>9,022,645</u>	<u>20,009,346</u>	<u>27,189,197</u>
Expenditures						
Administration	8,244,936	3,965,668	-	-	8,244,936	3,965,668
Police Department	3,681,945	7,151,044	-	-	3,681,945	7,151,044
Highway/Public Works	3,291,869	3,609,585	-	-	3,291,869	3,609,585
Health, Welfare and Sanitation	172,502	168,215	-	-	172,502	168,215
Culture and Recreation	2,106,510	1,218,232	-	-	2,106,510	1,218,232
Interest on Long-Term Debt	705,244	980,981	-	-	705,244	980,981
Refunds of Prior Year Expenditures	34,339	-	-	-	34,339	-
Loss on Disposal of Assets	66,259	-	-	-	66,259	-
Water and Sewer	-	-	-	10,349,249	-	10,349,249
Total Expenditures	<u>18,303,604</u>	<u>17,093,725</u>	<u>-</u>	<u>10,349,249</u>	<u>18,303,604</u>	<u>27,442,974</u>
Change in Net Position Before Transfers	1,705,742	1,072,827	-	(1,326,604)	1,705,742	(253,777)
Loss on Disposal of Assets Transfers	-	-	-	(18,144,604)	-	(18,144,604)
	<u>-</u>	<u>14,100,280</u>	<u>-</u>	<u>(14,100,280)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>1,705,742</u>	<u>15,173,107</u>	<u>-</u>	<u>(33,571,488)</u>	<u>1,705,742</u>	<u>(18,398,381)</u>
Net Position at Beginning of Year	52,927,168	28,008,327	-	43,197,457	52,927,168	71,205,784
Restatement for Consolidation	-	9,625,969	-	(9,625,969)	-	-
Restatement	-	119,765	-	-	-	119,765
Net Position at Beginning of Year, As Restated	<u>52,927,168</u>	<u>37,754,061</u>	<u>-</u>	<u>33,571,488</u>	<u>52,927,168</u>	<u>71,325,549</u>
Net Position at End of Year, as restated	<u>\$ 54,632,910</u>	<u>\$ 52,927,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,632,910</u>	<u>\$ 52,927,168</u>

### **Governmental Funds**

As of the end of 2020, Warrington Township's Governmental Funds reported combined ending fund balances of \$30 million, a decrease of \$8.1 million compared to 2019.

The General Fund is the chief operating fund of Warrington Township. At the end of 2020, the Unrestricted (unassigned) fund balance of the General Fund was \$6.1 million. As a measure of liquidity, the Unrestricted (unassigned) balance represents 44% of total General Fund expenditures, \$14.3 million. The fund balance of Warrington Township's General Fund increased by \$0.5 million during 2020.

### **Proprietary Fund**

As a result of the sale of the Township's Water and Sewer Departments in 2019, the remaining fund balance of the Water and Sewer Proprietary Fund was consolidated into the Utility Proceeds Fund in 2020. Please see Note 13 in the Financial Statements.



WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

**General Fund Budgetary Highlights**

The following is a summarized snapshot analysis of noteworthy budgetary highlights relating to all revenues and expenditures comprising the 2020 Township Budget:

**Revenues** - Warrington Township was able to post overall solid revenues in most major operating categories:

- The Earned Income Tax (EIT), representing approximately 39.5% of all General Fund operating revenues, posted total revenues of \$5.8 million, \$595,679 over the budgeted amount of \$5.2 million.
- The Real Estate Transfer Tax revenue amounted to \$1.1 million, exceeding the budget by \$146,059.
- Charges for Services derives its revenues primarily from residential and commercial development permits. The Charges for Services 2020 revenue budget was \$2.0 million, and the actual revenue collected was \$1.9 million, which is \$177,466 short of the budget estimate.

**Expenditures** - General Fund expenditures totaled \$14.3 million, representing an amount of \$268,527 over the budgeted expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Warrington Township's capital assets for its governmental activities as of December 31, 2020, amount to \$60.3 million (net of accumulated depreciation). Capital assets include land, buildings, building improvements, parks facilities, roads, highways and bridges, vehicles, machinery, and equipment. The total net increase of Warrington Township's capital assets for 2020 was \$7.4 million, a 13.9% increase from 2019. The increase was primarily due to the completion of the New Police Station Building and Lion's Pride Park Facility.

The following comprise major project expenditures in 2020:

Police Station Design/Construction	\$6,545,925
Street Repaving	1,142,332
Open Space – Lions Pride Park Phase I & Equipment	1,087,382
Folly Road Culvert Replacement	324,355
Police Building Equipment & Furnishings	282,402
202 to Bradford Road Trail - Segment A	199,562
Various Drainage Projects	181,538
Police Vehicles	129,195
Public Work Vehicle	120,007
Other	<u>335,730</u>
<b>Total</b>	<b><u>\$10,348,428</u></b>

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

***Capital Assets (Continued)***

While the 2021 financial statement has not been fully completed, the 2021 major capital expenditures are projected to be as shown in the table below:

2021 Road Paving Program	\$1,200,000
Police Station Design/Construction/Final Closeout	619,000
Doctor Adams® Community Park	600,000
Folly Road Culvert Replacement	550,000
Township Building HVAC Replacement	515,000
Storm Drain Rehab – Freedoms Way	491,000
Palomino Basin Retrofit	256,000
Police Vehicles	155,000
Other	<u>664,000</u>
<b>Total</b>	<b><u>\$5,050,000</u></b>

**TABLE 3  
CAPITAL ASSETS (NET OF DEPRECIATION)**

	Governmental Activities	
	2020	2019
Capital Assets		
Land and Improvements	\$ 7,147,697	\$ 6,806,378
Infrastructure	72,841,033	67,847,161
Buildings and Improvements	18,437,096	9,571,823
Machinery and Equipment	8,093,209	7,908,485
Construction in Progress	<u>1,224,427</u>	<u>5,803,782</u>
	107,743,462	97,937,629
Accumulated Depreciation	<u>(47,451,176)</u>	<u>(45,005,161)</u>
Capital Assets, Net	<u>\$ 60,292,286</u>	<u>\$ 52,932,468</u>

***Long-Term Debt***

At the end of 2020, Warrington Township had total bonded debt outstanding of \$29 million. This amount comprises debt backed by the full faith and credit of the Township. The remainder of the outstanding debt is capital leases.

**Table 4  
Outstanding Debt**

	Governmental Activities	
	2020	2019
General Obligation Bonds and Notes	\$ 29,050,987	\$ 30,843,405
Capital Leases	<u>1,061,398</u>	<u>1,359,837</u>
	<u>\$ 30,112,385</u>	<u>\$ 32,203,242</u>

Warrington Township maintains an Aa2 rating from Moody's for general obligation debt.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In 2020, the anticipated negative impact from the coronavirus pandemic (COVID-19) did not occur as projected on Earned Income Tax revenue collection within Warrington Township. Earned Income Tax revenue projected results for the end of 2021 also appear not to be impacted by the pandemic. This is evidence of a robust economic climate in Warrington Township supported by the continuing residential and commercial developments.

Similar to Earned Income Tax, other revenue categories, such as land development and building permits, were also not negatively impacted by the pandemic for Warrington Township.

The Warrington Township Board of Supervisors, realizing early in the pandemic that revenues could be adversely affected, voted to be proactive to curtail expenditures to offset the projected loss of revenue. Expenditure cuts included staff layoffs (resulting in lower salary and benefit costs), the postponement of all minor equipment purchases, the implementation of a travel/training ban, and the deferment of all non-essential purchases. However, revenue was not significantly impacted as initially anticipated, and the township ended in a better financial position.

***2021 and 2022 Adopted Spending Plan***

For 2021, a fiscally conservative and balanced budget was adopted. Expenditures are estimated at \$15.2 million compared to the \$14.3 million spent in 2020, representing a 6.3% increase over 2020.

For 2022, a fiscally conservative and balanced budget was also adopted. Expenditures are estimated at \$16.3 million compared to the \$15.2 million (projected) spent in 2021, representing a 7.2% increase over 2021. The table below shows the 2017-2022 General Fund summaries.

**Table 5**  
**General Fund Budget Summaries: 2017 - 2021 (In Millions)**

Description	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Proposed
Expenditures	12.6	15.7	13.5	14.3	15.2
Revenues	13.1	15.9	14.8	14.7	15.2
Net Change in Fund Balance	0.5	0.2	1.3	0.4	-
Ending Fund Balance	4.4	4.6	5.8	6.3	6.2
% Fund Balance To Expenditures	35.1%	29.0%	43.0%	44.1%	40.8%

***2020 & 2021 Cost Drivers and Budget Variations***

The Adopted 2021 budget reflects an increase of \$900,000 (6.3%) in expenditures compared to 2020.

The Adopted 2022 budget reflects an increase of \$1.1 million (7.2%) in expenditures compared to 2021. While there is an increase in expenditures, Warrington Township continues to have a fiscally conservative and balanced budget due to a healthy and corresponding revenue increase. Below are some of the noteworthy drivers which impacted 2021 revenues and expenditures.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

***Fringe Benefits***

As a participant in the Delaware Valley Insurance Trust (DVIT), the Township uses the Trust to procure health insurance. For 2020, the cost of health insurance premiums decreased by 23.5%. This reduction was primarily attributed to the sale of the Water and Sewer system, which reduced the total number of employees for the Township. For 2021, there was a subsequent decrease in health insurance costs of approximately 9.7% for all employees, excluding the Police healthcare. The Township entered into a two-year agreement with DVIT wherein the contract's first year provided a rebate towards the 2021 health insurance premium.

For the 2022 budget, the Township budget assumes that health insurance premiums will increase by 20.7%. This assumption is derived from the Township not realizing the same rebate in 2022 as it did in 2021 and the anticipated normal annual premium increase as well as new hires for the Township.

In 2019, the Township negotiated a new four-year contract with the Warrington Police Benevolent Association. As part of this contract, the Police switched to a High-Deductible Health Plan, which has been saving the Township over \$60,000 per year. We will continue to evaluate options for all other employees to see if we can reduce healthcare costs while at the same time providing quality health care to our employees and their families.

***Residential and Commercial Development***

In 2020 and 2021, Warrington Township saw residential and commercial development projects in all stages of the construction. Considerable development activity is again anticipated to occur throughout the Township in the upcoming year as there are several projects scheduled to begin in 2022. Continued development produces jobs, adds to the real estate tax base, and increases earned income tax and local services tax revenue. In addition, new developments contribute toward park and recreation assessment fees, which are used to improve and maintain park facilities in the Township. Existing and proposed residential real estate development projects that will have a substantial impact in 2022 include Emerson Farm, Perry Farm, and the McNaney Tract (proposed), to name a few. Existing and proposed commercial real estate development projects that will substantially impact in 2022 include Amazon Fresh, Chase Bank, Petco, Chipotle, and surrounding shopping centers.

**GENERAL FUND FISCAL TREND ANALYSIS: 2019 - 2024**

***Long Range Forecast for Revenues***

By the end of 2021, the fund balance for the General Fund is projected to be over \$5.8 million, or approximately 37.3% of the projected 2021 expenditures (available cash balance divided by 2021 expenditures), which well exceeds the 15% Government Finance Officers Association (GFOA) fund balance guidelines. The Township has worked diligently to maintain a healthy fund balance. While the projected fund balance meets the requisite GFOA balance, it is necessary to consider future revenue and expenditure trends. The Township is continuing to grow and it is expected that increased revenues from development will positively impact our largest sources of revenue: earned income tax, real estate tax, building permits, and real estate transfer tax.

In 2021, real estate taxes were projected to continue to trend upward due to an increase in residential and commercial development. The largest source of revenue, Earned Income Tax, is projected to be slightly ahead of 2020 as COVID-19 has had a minimal effect on Warrington. As mentioned previously, Warrington Township is faring better than many municipalities since Warrington residents have above-average income levels and are affected less by layoffs or furloughs. Real estate transfer tax should finish the year ahead of 2020 because new houses have been added to the tax rolls.

While Cable Television Franchise fees continue to be a significant revenue category, it is on a slightly downward trend as more people are "cutting the cord" in favor of other streaming services.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2020

**GENERAL FUND FISCAL TREND ANALYSIS: 2019 – 2024 (CONTINUED)**

***Long Range Forecast for Revenues (Continued)***

By the end of 2022, the fund balance for the General Fund is projected to be over \$5.8 million, or approximately 35.6% of the projected 2022 Expenditures (available cash balance divided by 2022 expenditures), which continues to well exceed the 15% Government Finance Officers Association (GFOA) fund balance recommendation.

In 2022, real estate taxes are projected to continue an upward trend due to a continued increase in residential and commercial development. The largest source of revenue, Earned Income Tax, is projected to be slightly ahead of 2021. Real estate transfer tax should finish the year ahead of 2021 because new houses have been added to the tax rolls.

There are numerous vehicle and equipment purchases as well as capital projects budgeted for 2022. Capital projects slated to be completed in 2022 include:

2022 Road resurfacing	\$1,180,000
Lion's Pride Park Phase IV Community Room	1,100,000
202 to Bradford Trail constr. (Segments B & C)	750,000
Palomino Basin Emergency Spillway Modification	500,000
Twp. Bldg. Renovations - Façade and Windows	350,000
Lions Pride Park construction – Phases IIC (Pond to Wetland)	300,000

The Township property tax rate for 2021 and 2022 remained the same as 2020 at 16.12 mills.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Warrington Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Open Records Officer by completing a Request Form found on our website ([www.warringtontownship.org](http://www.warringtontownship.org)) or at the Township Office located at 852 Easton Road, Warrington, Pennsylvania 18976-2090.

WARRINGTON TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 29,598,633
Receivables	3,161,967
Due From Escrow Fund	629,780
Prepaid Expenses	180,735
Net Pension Asset	18,979
<b>Capital Assets</b>	
Land	7,147,697
Construction in Progress	1,224,427
Infrastructure	72,841,033
Buildings and Improvements	18,437,096
Machinery, Vehicles and Equipment	8,093,209
Accumulated Depreciation	<u>(47,451,176)</u>
<b>Total Assets</b>	<u>93,882,380</u>
<b>Deferred Outflows of Resources</b>	
Bond Discounts	19,749
Refunding	136,247
Deferred Outflows Related to OPEB	264,351
Deferred Outflows Related to Pensions	1,764,932
<b>Total Deferred Outflows of Resources</b>	<u>2,185,279</u>
<b>Liabilities</b>	
Accounts Payable and Accrued Expenses	2,675,157
Due to Custodial Funds	569,344
Unearned Revenue	293,635
<b>Long Term Liabilities:</b>	
Portion Due or Payable Within One Year	
Bonds, Notes and Capital Leases	1,922,343
Portion Due or Payable After One Year	
Bonds, Notes and Capital Leases	27,320,975
Bond Premiums	1,025,063
Compensated Absences	612,930
Net Pension Liability	1,239,951
OPEB Obligation	<u>3,488,001</u>
<b>Total Liabilities</b>	<u>39,147,399</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pensions	1,387,093
Deferred Inflows Related to OPEB	<u>900,257</u>
<b>Total Deferred Inflows of Resources</b>	<u>2,287,350</u>
<b>Net Position</b>	
Net Investment in Capital Assets	34,144,350
Restricted	24,717,467
Unrestricted	<u>(4,228,907)</u>
<b>Total Net Position</b>	<u>\$ 54,632,910</u>

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

WARRINGTON TOWNSHIP  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government  Governmental Activities
Governmental Activities:					
General Government	\$ 8,244,936	\$ 1,489,352	\$ 537,029	\$ 1,000,000	\$ (5,218,555)
Public Safety	3,681,945	-	190,204	-	(3,491,741)
Public Works	3,291,869	-	726,816	28,846	(2,536,207)
Sanitation	172,502	166,600	-	-	(5,902)
Culture/Recreation	2,106,510	216,257	-	406,680	(1,483,573)
Refunds of Prior Year Expenditures	34,339	-	-	-	(34,339)
Loss on Disposal of Assets	66,259	-	-	-	(66,259)
Interest on Long-Term Debt	705,244	-	-	-	(705,244)
Total Governmental Activities	<u>\$ 18,303,604</u>	<u>\$ 1,872,209</u>	<u>\$ 1,454,049</u>	<u>\$ 1,435,526</u>	<u>(13,541,820)</u>
		General Revenues:			
		Taxes			
					5,562,089
					5,789,171
					459,453
					1,076,059
					11,489
					347,973
					609,513
					195,056
					1,176,609
					20,150
					<u>15,247,562</u>
				Change in Net Position	<u>1,705,742</u>
				Net Position - Beginning	43,301,199
				Restatement	9,625,969
				Net Position - Beginning, as Restated	<u>52,927,168</u>
				Net Position - Ending	<u>\$ 54,632,910</u>

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

WARRINGTON TOWNSHIP  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

<u>Assets</u>	General Fund	Tax Rate Stabilization Fund	Utility Proceeds Fund	Open Space Fund	2019 Capital Projects Fund	2016 Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 4,486,987	\$ 4,040,061	\$ 16,903,657	\$ 559,309	\$ 294,095	\$ 1,435,927	\$ 298,555	\$ -	\$ 1,580,042	\$ 29,598,633
Accounts Receivable	-	-	195,331	-	1,000,000	12,566	-	-	-	1,207,897
Taxes Receivable	1,629,991	-	-	-	-	-	-	9,797	1,982	1,641,770
Due From Other Funds	1,082,817	-	91,636	800	2,568	-	398,000	-	237,175	1,812,996
Due from Escrow Fund	629,780	-	-	-	-	-	-	-	-	629,780
Other Receivables	312,300	-	-	-	-	-	-	-	-	312,300
Prepaid Expenses	165,448	-	15,287	-	-	-	-	-	-	180,735
<b>Total Assets</b>	<b>\$ 8,307,323</b>	<b>\$ 4,040,061</b>	<b>\$ 17,205,911</b>	<b>\$ 560,109</b>	<b>\$ 1,296,663</b>	<b>\$ 1,448,493</b>	<b>\$ 696,555</b>	<b>\$ 9,797</b>	<b>\$ 1,819,199</b>	<b>\$ 35,384,111</b>
<u>Liabilities and Fund Balances</u>										
<u>Liabilities</u>										
Accounts Payable	\$ 189,959	\$ -	\$ 4,723	\$ 8,946	\$ 456,890	\$ 9,992	\$ 1,519,423	\$ 66,688	\$ 103,954	\$ 2,360,575
Due to Custodial Fund	569,344	-	-	-	-	-	-	-	-	569,344
Due to Other Funds	635,975	-	158,628	-	-	891,516	-	-	126,877	1,812,996
Unearned Revenues	293,635	-	-	-	-	-	-	-	-	293,635
Accrued Expenses	314,582	-	-	-	-	-	-	-	-	314,582
<b>Total Liabilities</b>	<b>2,003,495</b>	<b>-</b>	<b>163,351</b>	<b>8,946</b>	<b>456,890</b>	<b>901,508</b>	<b>1,519,423</b>	<b>66,688</b>	<b>230,831</b>	<b>5,351,132</b>
<u>Fund Balances</u>										
Nonspendable, Prepaid Expenses	165,448	-	-	-	-	-	-	-	-	165,448
Restricted	-	-	17,042,560	-	839,773	-	-	-	316,808	18,199,141
Capital Improvements	-	-	-	-	-	-	-	-	-	-
Open Space and Parkland Improvements	-	-	-	551,163	-	546,985	-	-	-	1,098,148
Debt Service	-	-	-	-	-	-	-	(56,891)	-	(56,891)
Fire Services	-	-	-	-	-	-	-	-	138,691	138,691
Liquid Fuels	-	-	-	-	-	-	-	-	1,132,869	1,132,869
Assigned	-	4,040,061	-	-	-	-	-	-	-	4,040,061
Tax Rate Stabilization	-	4,040,061	-	-	-	-	-	-	-	4,040,061
Unassigned (Deficit)	6,138,380	-	-	-	-	-	(822,868)	-	-	5,315,512
<b>Total Fund Balances</b>	<b>6,303,828</b>	<b>4,040,061</b>	<b>17,042,560</b>	<b>551,163</b>	<b>839,773</b>	<b>546,985</b>	<b>(822,868)</b>	<b>(56,891)</b>	<b>1,588,368</b>	<b>30,032,979</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,307,323</b>	<b>\$ 4,040,061</b>	<b>\$ 17,205,911</b>	<b>\$ 560,109</b>	<b>\$ 1,296,663</b>	<b>\$ 1,448,493</b>	<b>\$ 696,555</b>	<b>\$ 9,797</b>	<b>\$ 1,819,199</b>	<b>\$ 35,384,111</b>

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



WARRINGTON TOWNSHIP  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCE SHEET  
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
 DECEMBER 31, 2020

Total Governmental Funds Balances	\$ 30,032,979
<p>Capital Assets used in governmental activities are not current financial resources and are not reported in the funds. These assets consist of:</p>	
Land	7,147,697
Construction in Progress	1,224,427
Infrastructure	72,841,033
Buildings and Improvements	18,437,096
Machinery, Vehicles and Equipment	8,093,209
Accumulated Depreciation	(47,451,176)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Bond Discounts	19,749
Deferred Gain on Defeasance of Debt	136,247
<p>Deferred inflows and outflows related to pension activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	377,839
<p>Deferred inflows and outflows related to OPEB activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	(635,906)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Bonds, Notes and Capital Leases	(29,243,318)
Bond Premiums	(1,025,063)
Compensated Absences	(612,930)
Net Pension Asset	18,979
Net Pension Liability	(1,239,951)
OPEB Obligation	(3,488,001)
OPEB Obligation	<u>(3,488,001)</u>
Net Position of Governmental Activities	<u>\$ 54,632,910</u>

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

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

	General Fund	Tax Rate Stabilization Fund	Utility Proceeds Fund	Open Space Fund	2019 Capital Projects Fund	2016 Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>										
<b>Taxes</b>										
Property	\$ 2,984,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,143,994	\$ 433,345	\$ 5,562,089
Transfer	1,076,059	-	-	-	-	-	-	-	-	1,076,059
Earned Income	5,789,171	-	-	-	-	-	-	-	-	5,789,171
Other	470,942	-	-	-	-	-	-	-	-	470,942
Grant Revenue	2,916	-	-	406,680	1,000,000	-	-	-	28,846	1,438,442
Fees and Fines	195,056	-	-	-	-	-	-	-	-	195,056
Licenses and Permits	609,513	-	-	-	-	-	-	-	-	609,513
Intergovernmental	724,317	-	-	-	-	-	-	-	726,816	1,451,133
Charges for Services	1,872,209	-	-	-	-	-	-	-	-	1,872,209
Investment Income and Rent	221,298	21,787	42,646	9,764	37,557	11,141	55	-	3,725	347,973
Miscellaneous	721,586	-	96,049	358,974	-	-	-	-	-	1,176,609
<b>Total Revenues</b>	<b>14,667,817</b>	<b>21,787</b>	<b>138,695</b>	<b>775,418</b>	<b>1,037,557</b>	<b>11,141</b>	<b>55</b>	<b>2,143,994</b>	<b>1,192,732</b>	<b>19,989,196</b>
<b>Expenditures</b>										
<b>Current</b>										
General Government	2,148,308	-	54,667	-	6,909,373	49,303	-	195,645	8,551	9,365,847
Public Safety	9,542,178	-	-	-	-	-	186,715	-	327,524	10,056,417
Public Works	1,509,758	-	477,548	-	1,286,438	97,067	-	-	-	3,370,811
Sanitation	172,502	-	-	-	-	-	-	-	-	172,502
Culture/Recreation	847,288	-	-	1,375,732	-	-	-	-	41,971	2,264,991
Highways and Roads	-	-	-	-	-	-	-	-	184,028	184,028
Refund of Prior Year Revenue	34,339	-	-	-	-	-	-	-	-	34,339
<b>Debt Service</b>										
Principal	66,236	-	-	-	-	-	232,203	8,737,210	215,000	9,250,649
Interest and Other Charges	-	-	-	-	-	-	-	829,151	37,809	866,960
<b>Total Expenditures</b>	<b>14,320,609</b>	<b>-</b>	<b>532,215</b>	<b>1,375,732</b>	<b>8,195,811</b>	<b>146,370</b>	<b>418,918</b>	<b>9,762,006</b>	<b>814,883</b>	<b>35,566,544</b>
Excess of Revenues Over (Under) Expenditures	347,208	21,787	(393,520)	(600,314)	(7,158,254)	(135,229)	(418,863)	(7,618,012)	377,849	(15,577,348)
<b>Other Financing Sources (Uses)</b>										
Issuance of Long Term Debt	-	-	-	-	-	-	-	6,845,000	-	6,845,000
Issuance of Long Term Debt, Premiums	-	-	-	-	-	-	-	592,376	-	592,376
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	20,150	-	-	20,150
Transfers In	618,000	-	-	-	-	-	298,500	-	143,778	1,060,278
Transfers Out	(442,278)	-	(618,000)	-	-	-	-	-	-	(1,060,278)
<b>Total Other Financing Sources (Uses)</b>	<b>175,722</b>	<b>-</b>	<b>(618,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>318,650</b>	<b>7,437,376</b>	<b>143,778</b>	<b>7,457,526</b>
Net Change in Fund Balances	522,930	21,787	(1,011,520)	(600,314)	(7,158,254)	(135,229)	(100,213)	(180,636)	521,627	(8,119,822)
Fund Balances (Deficit) - Beginning of Year	5,780,898	4,018,274	8,444,208	1,151,477	7,998,027	682,214	(722,655)	123,745	1,066,741	28,542,929
Restatement	-	-	9,609,872	-	-	-	-	-	-	9,609,872
Fund Balances (Deficit) - Beginning of Year, as Restated	5,780,898	4,018,274	18,054,080	1,151,477	7,998,027	682,214	(722,655)	123,745	1,066,741	38,152,801
<b>Fund Balances (Deficit) - End of Year</b>	<b>\$ 6,303,828</b>	<b>\$ 4,040,061</b>	<b>\$ 17,042,560</b>	<b>\$ 551,163</b>	<b>\$ 839,773</b>	<b>\$ 546,985</b>	<b>\$ (822,868)</b>	<b>\$ (56,891)</b>	<b>\$ 1,588,368</b>	<b>\$ 30,032,979</b>

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

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

Net Change in Fund Balances - Total Governmental Funds	\$ (8,119,822)
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period</p>	
	7,359,818
<p>Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization exceeds capital outlays in the current period.</p>	
	155,966
<p>The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>	
	1,934,893
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Accrued interest not reflected in Governmental Funds	56,506
Pension plan expense	595,909
OPEB plan expense	(132,832)
<p>In the statement of activities, certain operating expenses - compensated absences (vacations, compensated absences and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>	
	<u>(144,696)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,705,742</u>

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

WARRINGTON TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2020

	<u>Component Units</u>	
	<u>Pension Trust Funds</u>	<u>Custodial Fund Escrow Fund</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 577,296	\$ 1,594,774
Investments	27,703,283	-
Accounts Receivable	-	127,359
Due from Members	10,909	-
	<u>\$ 28,291,488</u>	<u>\$ 1,722,133</u>
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ 1,051,390
Due to Governmental Funds	-	569,040
	<u>-</u>	<u>1,620,430</u>
<b>Net Position</b>		
Restricted	-	101,703
Held in Trust for Benefits and Other Purposes	28,291,488	-
	<u>\$ 28,291,488</u>	<u>\$ 1,722,133</u>

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

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

	<u>Component Units</u>	<u>Custodial Fund</u>
	<u>Pension</u>	<u>Escrow Fund</u>
	<u>Trust Funds</u>	<u>Escrow Fund</u>
Additions		
Contributions:		
Employer	\$ 1,208,430	\$ -
Plan Members	244,302	-
Charges for Services	-	520,644
Total Contributions	<u>1,452,732</u>	<u>520,644</u>
Investment Earnings		
Net Increase in Fair Value of Investments	2,362,124	-
Dividends	377,806	-
Interest Income	-	6,884
Investment Earnings, Net	<u>2,739,930</u>	<u>6,884</u>
Total Additions	<u>4,192,662</u>	<u>527,528</u>
Deductions		
Benefits	1,060,793	-
Administrative	127,317	572,269
Total Deductions	<u>1,188,110</u>	<u>572,269</u>
Change in Net Position	<u>3,004,552</u>	<u>(44,741)</u>
Net Position, Beginning of Year	25,286,936	-
Restatement	-	146,444
Net Position, Beginning of Year, Restated	<u>25,286,936</u>	<u>146,444</u>
Net Position, End of Year	<u>\$ 28,291,488</u>	<u>\$ 101,703</u>

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

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Warrington Township (the "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 primary government. 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.

With the adoption of GASB statement No. 97, the Township's Police and Non-Uniform Pension Plans now fall under the criteria for component units. The Township is not aware of any other entity which would exercise such oversight that would result in the Township being considered a component unit of the entity. The Township levies a tax for Warrington Township Fire Company Number 1 and remits the allocated portion to the Fire Company.

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 the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 Custodial Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and 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.

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.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the fiscal period. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. Property taxes, franchise taxes and licenses 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 revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The Township reports the following major Governmental Funds;

- The General Fund is the Township's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Utility Proceeds Fund accounts for proceeds from the sale of the Township's Water and Sewer systems.
- The Tax Rate Stabilization Fund accounts for reserves for stabilization of tax rates throughout the Township.
- The Open Space Fund accounts for open space and parkland improvements throughout the Township.
- The 2019 Capital Projects Fund accounts for capital projects throughout the Township.
- The 2016 Capital Projects Fund accounts for capital projects throughout the Township.
- The Capital Reserve Fund accounts for reserves for capital projects throughout the Township.
- The Debt Service Fund accounts for payments of principal and interest of long-term debt.

Additionally, the Township reports the following Custodial Fund Types:

- The Pension Trust Funds are used to account for the activities of the Police and Non-Uniform Employees' Pension Plans, which accumulate resources for pension benefit payments to qualified employees.
- The Escrow Fund is used to account for funds received from individuals and private organizations for specific uses within the Township's boundaries.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus. Basis of Accounting and Basis of Presentation (Continued)

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.

Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting - The Township follows the procedures outlined below, which comply with legal requirements in establishing the budgetary data reflected in the financial statements:

- 1. Budgets are legally adopted on an annual basis for most Township funds, which is consistent with U.S. generally accepted accounting principles. The operating budget includes proposed expenditures and the means of financing them.
- 2. During October and November, 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.
- 3. No later than December 31, the budget is legally adopted through the passage of an ordinance.
- 4. All budget revisions require the approval of the Township's Board of Supervisors. There were no budget revisions made during the year. The Board authorized the use of the unallocated fund balance in 2020.
- 5. Budgets for the funds are prepared on the modified accrual basis of accounting.

All appropriations lapse at year-end. Supplemental appropriations may be made at any time.

As a matter of state law, expenditures cannot exceed total appropriations by fund.

During 2020 the following functions incurred expenditures in excess of appropriations in the adopted budget:

Public Safety	\$2,206,547
Sanitation	\$5,502
Refunds of Prior Year Revenue	\$34,339
Debt Service Principal	\$66,236



WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stewardship, Compliance and Accountability (Continued)

Encumbrance Accounting - Encumbrance accounting, under which purchase orders and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds for which budgets are prepared. Encumbrances outstanding at year-end lapse. Encumbrances do not constitute expenditures or liabilities under accounting principles generally accepted in the United States of America.

Assets, Liabilities and Equity

Deposits and investments - The Township'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.

Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Township may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

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

Receivables and Payables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a committed or assigned fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Real Estate Taxes - Real estate taxes are recorded as revenues when the taxes are levied. All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2020, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Real estate taxes are levied on January 1 on property values assessed as of the same date. Taxes are billed February 1 and are due on June 30 of each year. A 2% discount is provided for taxes paid prior to April 1. A 10% penalty is applied to taxes paid after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Earned Income Taxes - A 1% earned income tax is imposed on all residents and on nonresidents who work within the Township limits. This tax is recorded as revenue when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

Provision for Estimated Uncollectible Receivables - At December 31, 2020, all trade receivables were deemed to be fully collectible.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. The Township defines a capital asset as an asset with an initial, individual cost equal to or greater than \$10,000 and must have an estimated useful life in excess of five years. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their acquisition value at the date of transfer.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2003, Governmental Funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation has been provided over the estimated useful lives of property, plant and equipment using the straight-line method as follows:

Long-term Obligations - In the government-wide financial, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

	Years
Buildings	20-40
Building Improvements	20-40
Roads, Curbs, Walks and Bridges	25-75
Storm Sewers	100
Lighting	20
Trucks and Heavy Equipment	8-15
Vehicles	8

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond premiums or discounts are reported as deferred charges. Bonds payable are reported net of deferred amounts on refunding, which represent the difference between the reacquisition price and the net carrying amount of old debt that has been defeased in refunding transactions since 1993. A deferred charge is amortized as a component of interest expense over the lesser of the remaining life of the old debt or the life of the new debt.

In the fund financial statements. Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses.

Compensated Absences – Certain unused vacation and sick benefits do not lapse at year-end without approval of the Township. As of December 31, 2020, \$612,930 was accumulated for governmental activities.

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

Concentrations of Credit Risk - The Township's revenues and receivables for taxes and utility service are mostly derived from residents and businesses located in the Township and are, therefore, subject to the economic conditions of the area.

Fund Balances

The Township has adopted GASB Statement No. 54, which defines how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows;

- Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of Supervisors.
- Assigned - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. As of December 31, 2020, the Board has not delegated the authority to assign fund balance.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

- Unassigned - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 13). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance is reduced to zero, then assigned and committed fund balances are used in that order.

Deferred Outflows/inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has four items that qualify for reporting in this category. The deferred outflow of resources related to pensions and other postemployment benefits (OPEB) are reported in the government-wide statement of net position and are the result of differences between expected and actual experience of the pension plan, the net difference between projected and actual earnings on investments, changes in plan assumptions, and contributions subsequent to measurement date. Bond discounts and refundings are also reported in deferred outflows of resources on the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualifies for reporting in this category. The deferred inflow of resources related to pension and OPEB plans are reported in the government-wide statement of net position and are the result of differences between expected and actual experience of the pension and OPEB plans, and the net difference between projected and actual earnings on pension plan investments and the change of assumptions.

Adoption of Governmental Accounting Standards Board (GASB) Statements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Township has implemented the effects of this Statement for the reporting period ended December 31, 2020. The adoption of this statement requires the replacement of Agency Funds with Custodial Funds and the presentation of the Statement of Changes in Fiduciary Net Position for the Custodial Funds.

In May 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The adoption of this statement requires Township Pension Plans to be classified as component units.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Governmental Accounting Standards Board (GASB) Statements (Continued)

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The Township has implemented the effects of this Statement for the reporting period ended December 31, 2020. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym release replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local government.

Pending Changes in Accounting Principles

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The Township is required to adopt Statement No. 89 for its fiscal 2021 financial statements.

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

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

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The Township is required to adopt Statement No. 93 for its fiscal 2021 and 2022 financial statements.

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

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

Township management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the Township's financial reporting process.

The effect of implementation of these Statements has not yet been determined.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2020, \$1,000,000 of the Township's bank balance of \$58,580,274 was insured by the FDIC. Of the remaining \$57,580,274, \$57,578,631 was exposed to custodial credit risk, collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name. \$1,643 was held in PLGIT state investment pools which is both uninsured and not collateralized.

Investments

Fair Value Measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township had the following Level 1 inputs as of December 31, 2020:

<u>Investment Type</u>	Investment Maturities	
	Fair Value	
	Level 1 Inputs	Less Than One Year
Pension Activities		
Mutual Funds	\$ 27,703,283	\$ 27,703,283

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

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 Government Funds as described in Note 1. It is the Township's formal investment policy that the investment portfolio maintains an average AA rating 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. More than 5% of the Township's investments are in mutual funds. These investments are 100% of the Township's total investments.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 3 CAPITAL ASSETS

Changes in capital asset activity for the year ended December 31, 2020, were as follows:

	Balance January 1, 2020	Increases	Decreases	Transfers	Balance December 31, 2020
<b>Governmental Activities</b>					
Capital Assets not Being Depreciated					
Land	\$ 6,806,378	\$ -	\$ -	\$ 341,319	\$ 7,147,697
Construction in Progress	5,803,782	8,176,794	-	(12,756,149)	1,224,427
Total Capital Assets Not Being Depreciated	<u>12,610,160</u>	<u>8,176,794</u>	<u>-</u>	<u>(12,414,830)</u>	<u>8,372,124</u>
Capital Assets Being Depreciated					
Infrastructure	67,847,161	1,503,417	(71,587)	3,562,042	72,841,033
Buildings and Improvements	9,571,823	12,485	-	8,852,788	18,437,096
Machinery, Vehicles and Equipment	7,908,485	941,773	(757,049)	-	8,093,209
Total Capital Assets Being Depreciated	<u>85,327,469</u>	<u>2,457,675</u>	<u>(828,636)</u>	<u>12,414,830</u>	<u>99,371,338</u>
Accumulated Depreciation					
Infrastructure	37,397,042	2,296,824	(5,328)	-	39,688,538
Buildings and Improvements	2,271,383	422,369	-	-	2,693,752
Machinery, Vehicles and Equipment	5,336,736	489,199	(757,049)	-	5,068,886
Total Accumulated Depreciation	<u>45,005,161</u>	<u>3,208,392</u>	<u>(762,377)</u>	<u>-</u>	<u>47,451,176</u>
Total Capital Assets Being Depreciated, Net	<u>40,322,308</u>	<u>(750,717)</u>	<u>(66,259)</u>	<u>12,414,830</u>	<u>51,920,162</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,932,468</u>	<u>\$ 7,426,077</u>	<u>\$ (66,259)</u>	<u>\$ -</u>	<u>\$ 60,292,286</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Administrative	\$ 101,540
Police and Emergency Services	515,637
Public Works, Including Depreciation of General Infrastructure, Except Park Systems	1,975,944
Parks and Recreation, Including Depreciation Relating to Park Systems	615,271
Total Governmental Activities	<u>\$ 3,208,392</u>

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are as follows:

	Due from Other Funds	Due to Other Funds
<b>Governmental Funds</b>		
General Fund	\$ 1,082,817	\$ 635,975
Utility Proceeds Fund	91,636	158,628
2016 Capital Projects Fund	-	891,516
2019 Capital Projects Fund	2,568	-
Capital Fund	237,175	-
Other Governmental Funds	-	26,877
Open Space Fund	800	-
Fire Fund	-	100,000
Capital Reserve	398,000	-
	<u>\$ 1,812,996</u>	<u>\$ 1,812,996</u>

Interfund balances are primarily a result of:

1. Reimbursement of payroll and payables charged to other funds.
2. Cash receipts collected in one fund but belonging to another.
3. Funding cash deficits.
4. In-transit budgeted operating transfers.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers are as follows:

	Transfer Out	Transfer In
General Fund	\$ (442,278)	\$ 618,000
Utility Proceeds	(618,000)	-
General Capital Fund	-	143,778
Capital Reserve Fund	-	298,500
	<u>\$ (1,060,278)</u>	<u>\$ 1,060,278</u>

Interfund transfers are primarily a result of:

1. Reimbursement of payroll and payables charged to other funds.
2. Reimbursement for debt payments.
3. Various funds financing capital projects.
4. Budgeted operating transfers.

NOTE 5 LONG-TERM DEBT

Summary of Activity

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

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds and Notes					
Series of 2012A	\$ 2,365,000	\$ -	\$ (590,000)	\$ 1,775,000	\$ 600,000
Series of 2012B	1,595,000	-	(215,000)	1,380,000	220,000
Series of 2013	7,265,000	-	(7,265,000)	-	-
Series of 2014	4,010,000	-	(105,000)	3,905,000	110,000
Series of 2016	5,124,130	-	(272,210)	4,851,920	277,950
Series of 2019	9,930,000	-	(135,000)	9,795,000	135,000
Series of 2020	-	6,845,000	(370,000)	6,475,000	350,000
Total General Obligation Bonds and Notes	30,289,130	6,845,000	(8,952,210)	28,181,920	1,692,950
Bond Premiums	562,111	592,376	(129,424)	1,025,063	-
Deferred Issuance Discount	(45,486)	-	25,737	(19,749)	-
Deferred Gain (Loss) on Defeasance	37,650	(120,372)	(53,525)	(136,247)	-
Capital Leases	1,359,837	-	(298,439)	1,061,398	229,393
Compensated Absences	468,235	144,695	-	612,930	-
Net Pension Liability	2,586,176	-	(1,346,225)	1,239,951	-
Net OPEB Obligation	3,095,515	392,486	-	3,488,001	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 38,353,168</u>	<u>\$ 7,854,185</u>	<u>\$ (10,754,086)</u>	<u>\$ 35,453,267</u>	<u>\$ 1,922,343</u>

Payments on the bonds, notes and loans payable pertaining to the Township's governmental activities are made by the Debt Service Fund.

Governmental Activities Debt

The Township issues general obligation bonds and notes to provide funds for the acquisition, construction and improvement of major capital facilities.

General obligation notes are direct obligations and pledge the full faith and credit of the Township. These notes are generally issued as 15-20 year serial notes with varying amounts of principal maturing each year.



WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 5 LONG-TERM DEBT (CONTINUED)

Total Scheduled Annual Debt Service

The Township's total scheduled annual debt service on all General Obligation Bonds and Notes is as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2021	\$ 1,692,950	\$ 865,227
2022	1,743,820	813,210
2023	1,784,820	757,362
2024	1,845,930	698,888
2025	1,922,180	624,041
2026	1,978,560	570,831
2027	1,012,190	586,836
2028	1,052,590	549,139
2029	1,083,400	518,004
2030	1,119,650	484,463
2031	1,156,340	449,751
2032	1,193,520	405,130
2033	1,261,190	358,764
2034	1,314,360	307,436
2035	788,080	253,876
2036	812,340	226,562
2037	835,000	202,155
2038	860,000	177,105
2039	885,000	151,305
2040	915,000	123,870
2041	945,000	94,590
2042	975,000	64,350
2043	1,005,000	32,663
	<u>\$ 28,181,920</u>	<u>\$ 9,315,558</u>

NOTE 6 CAPITAL LEASE

The Township leases certain equipment under capital lease arrangements.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2020.

Year Ending December 31,		
2021	\$	234,912
2022		196,121
2023		75,176
2024		63,681
2025		771,466
Thereafter		-
Total Minimum Lease Payments		<u>1,341,356</u>
Amount Representing Interest		<u>(279,958)</u>
Present Value of Net Minimum Lease Payments	\$	<u>1,061,398</u>

The gross value of this equipment on the statement of net position is \$1,430,889 with accumulated depreciation of \$740,935.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Plan Description

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

Management of the plan is vested in the Pension Advisory Board, which consists of up to eight members—three Township residents appointed by the Township, the Chairman of the Board of Supervisors, one member of the Board of Supervisors, the Township Manager, one sworn police officer and one non-uniformed employee. The Pension Advisory Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the plan.

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

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>35</u>
	<u>51</u>

Benefits Provided - The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 50 with at least 25 years of service. Members hired after December 15, 2015 have a normal retirement age of 53. Officers may also receive a service increment equal to \$100 per month for each year of service in excess of 25 years, but not more than \$500 additional.

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. Covered employees are required by statute to contribute 5% of their compensation to the plan and member contributions are credited with 4% interest. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Township's plan are established by Township ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2020, the MMO obligation for the plan was \$1,075,537. Contributions of \$1,075,537 were made by the Township to the plan.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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. The following was the Board's adopted asset allocation policy as of December 31, 2020:

Asset Class	Target Allocation
Domestic Equity	50.00%
International Equity	21.00%
Fixed Income	28.00%
Alternative Investments	1.00%
	100.00%

Concentrations – More than 5% of the Township's investments are in exchange traded funds and mutual fund assets. These investments are 30% and 70%, respectively, of the plan's total investments.

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

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 9.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

Net Pension Liability of the Township

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

Total Pension Liability	\$	22,212,244
Plan Fiduciary Net Position		20,972,293
Net Pension Liability	\$	1,239,951
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		94%

Actuarial Assumptions – The net pension liability was measured as of December 31, 2020 and the total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3%
Salary increases		4.5% annual increase
Investment rate of return		7.35%
Postretirement Cost of Living Increase		0.00%

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.

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

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

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	5.50% - 7.50%
International Equity	4.50% - 6.50%
Fixed Income	1.00% - 3.00%
Alternative Instruments	5.50% - 7.50%

Discount Rate – The discount rate used to measure the total pension liability was 7.10%. The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

Changes in the Net Pension Liability

	Governmental Activities Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2019	\$ 20,911,332	\$ 18,541,702	\$ 2,369,630
Changes for the Year:			
Service Cost	574,505	-	574,505
Interest Cost	1,495,349	-	1,495,349
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions			
Employer	-	1,075,537	(1,075,537)
Member	-	197,017	(197,017)
Net Investment Income	-	1,935,104	(1,935,104)
Benefit Payments, including refunds of member contributions	(768,942)	(768,942)	-
Administrative Expenses	-	(8,125)	8,125
Net Changes	<u>1,300,912</u>	<u>2,430,591</u>	<u>(1,129,679)</u>
Balance at December 31, 2020	<u>\$ 22,212,244</u>	<u>\$ 20,972,293</u>	<u>\$ 1,239,951</u>

Changes in Assumptions

The actuarially determined contribution rates are based on the 1/1/19 valuation date. The mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

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

The following presents the net pension liability of the Township, calculated using the discount rate of 7.10%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Net Pension Liability	<u>\$ 4,107,714</u>	<u>\$ 1,239,951</u>	<u>\$ (1,136,492)</u>

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

For the year ended December 31, 2020, the Township recognized pension expense of \$89,191. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 80,145	\$ -
Change of Assumptions	1,109,558	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>-</u>	<u>975,674</u>
	<u>\$ 1,189,703</u>	<u>\$ 975,674</u>

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ending December 31,	Governmental Activities
2021	\$ (47,176)
2022	190,932
2023	(243,302)
2024	78,281
2025	117,646
Thereafter	117,648
	\$ 214,029

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not more than 48 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2020, there were no participants in the DROP plan.

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)

Plan Description

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

Management of the Non-Uniform Employees' Pension Plan is vested in the Pension Advisory Board, which consists of up to eight members - three Township residents appointed by the Township, the Chairman of the Board of Supervisors, one member of the Board of Supervisors, the Township Manager, one sworn police officer and one non-uniformed employee. The Pension Advisory Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the Non-Uniform Employees' Pension Plan.

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

Inactive plan members or beneficiaries currently receiving benefits	23
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	18
	53

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)  
 (CONTINUED)

Benefits Provided - The plan provides retirement benefits as well as death benefits. All benefits vest at 10% per year, graded up to 100% after ten years of credited service. Employees who retire at or after age 65 with 30 years of service are entitled to an annual retirement benefit, payable monthly, in an amount equal to 50% of the final average compensation reduced proportionately for less than 30 years of service. Final average compensation is the employee's average monthly earnings over the last 36 months of compensation. Married employees will receive joint and 50% survivor annuity. Early retirement benefits equal the vested accrued benefit and begin at age 65. If benefits begin before age 65, they will be reduced by 1/12 of 3.33% for each month the benefits commence before age 65.

Eligibility – Any non-uniform employee hired on or after April 27, 2014 is not eligible to participate in the plan.

The benefit provisions of the plan are established by Township ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 2.0% of the participant's pay. Member contributions are credited with 4.0% interest.

In 2020, the MMO obligation for the plan was \$132,893 for the year 2020. Contributions of \$132,893 were made by the Township, to the plan.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

#### Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)  
 (CONTINUED)

Investments (Continued)

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

Asset Class	Target Allocation
Domestic Equity	45.00%
International Equity	26.00%
Fixed Income	28.00%
Alternative Instruments	1.00%
	100.00%

Concentrations - More than 5% of the Township's investments are in exchange traded funds and mutual funds. These investments are 28% and 72%, respectively, of the plan's total investments.

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

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total Pension Liability	\$	7,300,216
Plan Fiduciary Net Position		7,319,195
Net Pension Asset	\$	(18,979)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		100%



WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)  
(CONTINUED)

Actuarial Assumptions - The net pension liability 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3%
- Salary increases 3.75% annual increase
- Investment rate of return 6.75%
- Postretirement Cost of Living Increase 0.00%

Mortality rates were based on the Pubg-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.50% - 7.50%
International Equity	4.50% - 6.50%
Fixed Income	1.00% - 3.00%
Alternative Instruments	5.50% - 7.50%

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be available to make projected future benefit payments to current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)  
(CONTINUED)

Changes in the Net Pension Liability

	Governmental Activities Increase (Decrease)		
	Total Pension Liability/(Asset)	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balance at December 31, 2019	\$ 6,961,780	\$ 6,745,234	\$ 216,546
Changes for the Year:			
Service Cost	159,454	-	159,454
Interest Cost	470,833	-	470,833
Changes of Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions			
Employer	-	132,893	(132,893)
Member	-	47,285	(47,285)
Net Investment Income	-	693,509	(693,509)
Benefit Payments	(291,851)	(291,851)	-
Administrative Expenses	-	(7,875)	7,875
Net Changes	<u>338,436</u>	<u>573,961</u>	<u>(235,525)</u>
Balance at December 31, 2020	<u>\$ 7,300,216</u>	<u>\$ 7,319,195</u>	<u>\$ (18,979)</u>

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

The following presents the net pension liability of the plan, calculated using the discount rate of 6.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	<u>\$ 912,280</u>	<u>\$ (18,979)</u>	<u>\$ (803,807)</u>

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

For the year ended December 31, 2020, the Township recognized pension expense of (\$72,649). At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources;

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 32,857
Change of Assumptions	575,229	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	378,562
	<u>\$ 575,229</u>	<u>\$ 411,419</u>

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)  
 (CONTINUED)

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

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

Year Ending December 31,		
2021	\$	(30,161)
2022		60,017
2023		(73,234)
2024		54,635
2025		75,602
Thereafter		76,951
	\$	<u>163,810</u>

NOTE 9 DEFINED CONTRIBUTION PLAN

The Township has established a defined contribution pension plan to provide pension benefits for its regular, full-time, non-uniformed employees. Under the plan, an individual received his own account to which all contributions are made. The employee determines how his account is invested.

Under the plan, the Township contributes 2% to 7%, dependent on the employee's chosen contribution percentage, to range from 0% to 5%.

This plan was established effective May 13, 2014. Any full-time, permanent, non-uniformed employee of the Township hired before May 31, 2014, may opt to transfer into the defined contribution plan. Each full-time, permanent, non-uniformed employee hired on or after May 13, 2014, shall become eligible upon six months of service. For the year ended December 31, 2020, contributions of \$34,259 were made to this plan.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Township provides postemployment healthcare benefits, in accordance with Township policies and collective bargaining agreements, for Police employees. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

The Township will provide medical coverage to retired officers and their spouses at age fifty for all full time police officers employed by the Township as of January 1, 2005 with twenty-five (25) years of service or is separated with a service connected disability. Any retiree who is eligible for medical insurance through other employment or through his or her spouse shall not receive postretirement health payments.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The Township will pay 70% of the premium cost for the Retiree, spouse and dependent children for five (5) years immediately following retirement. During the sixth and seventh year of retirement the Township will pay 70% of the premium cost for the Retiree only. The Township contribution is thereafter capped at 70% of the seventh year rate and the Retiree will continue to receive that benefit until the Retiree is eligible for Medicare. Any premium increases for the eighth and subsequent years will be the responsibility of the Retiree. The Township will pay 100% of the premium cost for Retired Police Chiefs, their spouse and dependent children. Coverage will terminate upon Medicare eligibility. Retiree health insurance will include the same coverage as for Active Police Employees; major medical, hospitalization, prescription, vision, and dental coverage.

All full-time non-uniformed employees, who retire under the terms of the Non-Uniform Pension Plan, may not continue in the Township's group health plan; therefore, the Township has no postemployment healthcare liability for these individuals.

The OPEB liability of the plan for measurement date December 31, 2020, was as follows:

<u>Changes in Net OPEB Liability</u>		Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balances at 12/31/19	Balance at January 1, 2020	\$ 3,095,515	\$ -	\$ 3,095,515
	Service Cost	203,432	-	203,432
	Interest on Total Pension Liability	119,037	-	119,037
	Changes in Benefits	-	-	-
	Difference between expected and actual experience	-	-	-
	Changes in assumptions	122,981	-	122,981
	Employer Contributions	-	-	-
	Member Contributions	-	-	-
	Net investment income	-	-	-
	Benefit payments, including employee refunds	(52,964)	-	(52,964)
	Administrative expense	-	-	-
	Other changes	-	-	-
	Net changes	<u>392,486</u>	<u>-</u>	<u>392,486</u>
Balances at 12/31/20	Balance at January 1, 2020 (Measurement Date)	<u>\$ 3,488,001</u>	<u>-</u>	<u>3,488,001</u>

Employer Contributions

The Township's contractually required contribution rate for fiscal year ended December 31, 2020 was 1.49% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefit Payments to the OPEB plan from the Township were \$52,964 for the year ended December 31, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At December 31, 2020, the Township reported a total OPEB liability of \$3,488,001. The total OPEB liability was measured as of January 1, 2019, and the total OPEB liability was determined by rolling forward the total OPEB liability as of January 1, 2019 to December 31, 2020.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2020

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued):

For the year ended December 31, 2020, the Township recognized OPEB expense of \$368,092. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 796,526
Change of Assumptions	214,887	103,731
Benefits Paid Subsequent to the Measurement Date	49,464	-
	<u>\$ 264,351</u>	<u>\$ 900,257</u>

The Township's benefit paid subsequent to the measurement date will be recognized in expense in the subsequent year.

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

2021	\$ (87,209)
2022	(87,209)
2023	(87,209)
2024	(87,209)
2025	(87,209)
Thereafter	(249,325)
	<u>\$ (685,370)</u>

Actuarial Assumptions

A summary of the actuarial assumptions used in the valuation is presented below:

- Investment Return – The assumed rates used to discount obligations are as follows: 3.64% as of January 1, 2019 and 3.26% as of 12/31/2020. These rates are reflective of S&P Municipal Bond 20 Year High Grade Rate Index.
- Salary scale – 4.50% per annum, was assumed.
- Retirement Rates – Age 50 and 25 years of service for the police.
- Termination – Sarason T-1.
- Pre-retirement Mortality – PubS-2010 mortality table, including rates for disabled and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.
- Rates of Disablement – SOA 1987 Group LTD Table- Males, 6-month elimination.
- Post-Disablement Mortality – None assumed.
- Administrative Expenses – None assumed.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

- Percent Married – 75% of employees are assumed to be married and have a spouse covered by a plan at retirement
- Age of Spouse – The female spouse is assumed to be two years younger than the male spouse for future retirees.
- Health Care Cost Trend Rate – 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 of Assumptions

The discount rate changed from 3.64% to 3.26% as of January 1, 2020. The trend assumption was updated.

Actuarial Methods

- Valuation of Obligations – The Entry Age Normal Method (level percentage of pay) was used.
- Valuation of Assets – Market Value of assets was used.

Discount Rate

The following presents the net OPEB liability of the Township, calculated using the discount rate of 3.26%, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.26% percent) or 1-percent-point higher (4.26 percent) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount			
	1% Decrease <u>(2.26%)</u>	Current Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Net OPEB Liability	\$ 3,785,307	\$ 3,488,001	\$ 3,213,898

Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Township, calculated using current medical inflation rate as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percent-point lower or 1-percent-point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease	Current Medical Inflation Rate	1% Increase
Net OPEB Liability	\$ 3,104,034	\$ 3,488,001	\$ 3,932,837

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTE 11 RISK MANAGEMENT

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

NOTE 12 CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. 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 Township expects such amounts, if any, to be immaterial.

NOTE 13 RESTATEMENT - CONSOLIDATION

As a result of the sale of the Township's Water and Sewer Departments in 2019, the remaining fund balance of the Water and Sewer Proprietary Fund was consolidated into the Utility Proceeds Fund in 2020. The Governmental Activities Net Position was also restated for the Proprietary Funds portion of the Non-Uniform Pension Plan's Net Pension Liability, net of related Deferred Inflows and Deferred Outflows.

The beginning net position of the Custodial Fund has been restated for the implementation of GASB 84. The adoption of this statement requires the replacement of Agency Funds with Custodial Funds and the presentation of the Statement of Changes in Fiduciary Net Position for the Custodial Fund.

Fund Balance and Net Position were restated as follows:

	<u>Utility Proceeds Fund</u>		<u>Enterprise Fund Water and Sewer Fund</u>
Beginning Fund Balance	\$ 8,444,208	Beginning Fund Balance	\$ 9,609,872
Restatement for Consolidation	9,609,872	Restatement for Consolidation	(9,609,872)
Beginning Fund Balance, as restated	<u>\$ 18,054,080</u>	Beginning Fund Balance, as restated	<u>\$ -</u>
	<u>Governmental Activities</u>		<u>Custodial Fund Escrow Fund</u>
Beginning Net Position	\$ 43,301,199	Beginning Net Position	\$ -
Restatement for Consolidation	9,625,969	Restatement for Consolidation	146,444
Beginning Net Position, as restated	<u>\$ 52,927,168</u>	Beginning Net Position, as restated	<u>\$ 146,444</u>

NOTE 14 RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Township's operations and financial results are uncertain at this time.

NOTE 15 SUBSEQUENT EVENTS

The Township has evaluated subsequent events for disclosure or recording through February 18, 2022, the date the audit was ready for release.

**REQUIRED SUPPLEMENTARY INFORMATION**



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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Property	\$ 3,175,697	\$ 3,175,697	\$ 2,984,750	\$ (190,947)
Transfer	930,000	930,000	1,076,059	146,059
Earned Income	5,193,492	5,193,492	5,789,171	595,679
Other	530,708	530,708	470,942	(59,766)
Fees and Fines	267,000	267,000	195,056	(71,944)
Licenses and Permits	604,200	604,200	609,513	5,313
Intergovernmental	703,000	703,000	727,233	24,233
Charges for Services	2,049,675	2,049,675	1,872,209	(177,466)
Investment Income and Rent	159,755	159,755	221,298	61,543
Miscellaneous	132,500	132,500	721,586	589,086
Total Revenues	<u>13,746,027</u>	<u>13,746,027</u>	<u>14,667,817</u>	<u>921,790</u>
Expenditures				
Current				
General Government	3,250,712	3,250,712	2,148,308	1,102,404
Public Safety	7,335,631	7,335,631	9,542,178	(2,206,547)
Public Works	2,240,250	2,240,250	1,509,758	730,492
Sanitation	167,000	167,000	172,502	(5,502)
Culture and Recreation	1,058,489	1,058,489	847,288	211,201
Debt Service				
Principal	-	-	66,236	(66,236)
Refunds of Prior Year Revenue	-	-	34,339	(34,339)
Total Expenditures	<u>14,052,082</u>	<u>14,052,082</u>	<u>14,320,609</u>	<u>(268,527)</u>
Excess of Revenues Over Expenditures	<u>(306,055)</u>	<u>(306,055)</u>	<u>347,208</u>	<u>653,263</u>
Other Financing Sources (Uses)				
Transfers In	698,000	698,000	618,000	(80,000)
Transfers Out	(185,000)	(185,000)	(442,278)	(257,278)
Total Other Financing Sources (Uses)	<u>513,000</u>	<u>513,000</u>	<u>175,722</u>	<u>(337,278)</u>
Net Change in Fund Balance	206,945	206,945	522,930	315,985
Fund Balance at Beginning of Year	<u>5,780,898</u>	<u>5,780,898</u>	<u>5,780,898</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 5,987,843</u>	<u>\$ 5,987,843</u>	<u>\$ 6,303,828</u>	<u>\$ 315,985</u>

**WARRINGTON TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN**  
**LIABILITY AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$ 574,505	\$ 549,766	\$ 500,755	\$ 479,191	\$ 413,588	\$ 395,778	\$ 366,456
Interest	1,495,349	1,425,213	1,306,526	1,261,133	1,122,629	1,057,529	980,495
Changes for Experience	-	(91,322)	-	142,668	-	231,913	-
Changes of Assumptions	-	1,032,493	-	504,121	-	249,376	-
Benefit Payments	(768,942)	(1,066,821)	(787,932)	(537,503)	(542,239)	(542,859)	(507,570)
Net Change in Total Pension Liability	1,300,912	1,849,329	1,019,349	1,849,610	993,978	1,391,737	839,381
Total Pension Liability - Beginning	20,911,332	19,062,003	18,042,654	16,193,044	15,199,066	13,807,329	12,967,948
Total Pension Liability - Ending (a)	<u>\$ 22,212,244</u>	<u>\$ 20,911,332</u>	<u>\$ 19,062,003</u>	<u>\$ 18,042,654</u>	<u>\$ 16,193,044</u>	<u>\$ 15,199,066</u>	<u>\$ 13,807,329</u>
<b>Plan Fiduciary Net Position</b>							
Contributions							
Employer	\$ 1,075,537	\$ 1,093,517	\$ 805,895	\$ 769,228	\$ 748,774	\$ 762,752	\$ 675,622
Member	197,017	177,139	135,177	169,652	153,985	154,983	114,668
Net Investment Income	1,935,104	2,973,594	(975,247)	2,204,980	912,143	(89,851)	790,792
Benefit Payments, Including Refunds of Member Contributions	(768,942)	(1,066,821)	(787,932)	(537,503)	(542,239)	(542,859)	(507,570)
Administrative Expense	(8,125)	(4,486)	(7,925)	(17,216)	(18,401)	(11,790)	(6,660)
Net Change in Plan Fiduciary Net Position	2,430,591	3,172,943	(830,032)	2,589,141	1,254,262	273,235	1,066,852
Plan Fiduciary Net Position - Beginning	\$ 18,541,702	\$ 15,368,759	16,198,791	13,609,650	12,355,388	12,082,153	11,015,301
Plan Fiduciary Net Position - Ending (b)	<u>\$ 20,972,293</u>	<u>\$ 18,541,702</u>	<u>\$ 15,368,759</u>	<u>\$ 16,198,791</u>	<u>\$ 13,609,650</u>	<u>\$ 12,355,388</u>	<u>\$ 12,082,153</u>
Net Pension Liability, Ending (a)-(b)	<u>\$ 1,239,951</u>	<u>\$ 2,369,630</u>	<u>\$ 3,693,244</u>	<u>\$ 1,843,863</u>	<u>\$ 2,583,394</u>	<u>\$ 2,843,678</u>	<u>\$ 1,725,176</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.42%	88.67%	80.63%	89.78%	84.05%	81.29%	87.51%
Covered Payroll	\$ 4,049,262	\$ 3,843,091	\$ 3,438,829	\$ 3,097,081	\$ 2,990,098	\$ 2,808,968	\$ 2,630,522
Net Pension Liability as a Percentage of Covered Payroll	30.62%	61.66%	107.40%	59.54%	86.40%	101.24%	65.58%

## Notes to Schedule:

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

WARRINGTON TOWNSHIP  
SCHEDULE OF POLICE PENSION PLAN  
CONTRIBUTIONS & INVESTMENT RETURNS  
LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 1,075,537	\$ 1,060,318	\$ 805,895	\$ 769,228	\$ 748,774	\$ 762,752	\$ 675,622
Contributions in Relation to Actuarially Determined Contribution	1,075,537	1,093,517	805,895	769,228	748,774	762,752	675,622
Contribution deficiency (excess)	\$ -	\$ (33,199)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,049,262	\$ 3,843,091	\$ 3,438,829	\$ 3,097,081	\$ 2,990,098	\$ 2,808,968	\$ 2,630,522
Contribution as a Percentage of Covered Payroll	26.56%	28.45%	23.44%	24.84%	25.04%	27.15%	25.68%

## Notes to Schedule

Valuation Date for contribution rates

January 1, 2019

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	6 years
Asset Valuation Method	Market Value
Inflation	3.0%
Salary Increases	4.5%
Investment Rate of Return	7.35%
Retirement Age	Normal Retirement Age
Mortality	IRS 2017 Static Combined Table for Small Plans

## Notes to Schedule

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

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.73%	19.22%	-6.65%	17.06%	8.16%	0.06%	7.70%

## Notes to Schedule

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

**WARRINGTON TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORM EMPLOYEES'**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$ 159,454	\$ 153,691	\$ 149,682	\$ 143,236	\$ 150,773	\$ 144,280	\$ 137,707
Interest	470,833	446,406	406,284	386,034	350,284	331,281	323,696
Changes of Benefit Terms	-	160,155	-	-	-	-	-
Changes for Experience	-	15,918	-	2,742	-	(138,500)	-
Changes of Assumptions	-	588,896	-	217,113	-	75,005	-
Benefit Payments	(291,851)	(196,106)	(282,266)	(238,193)	(215,723)	(231,311)	(195,080)
<b>Net Change in Total Pension Liability</b>	<b>338,436</b>	<b>1,168,960</b>	<b>273,700</b>	<b>510,932</b>	<b>285,334</b>	<b>180,755</b>	<b>266,323</b>
Total Pension Liability - Beginning	6,961,780	5,792,820	5,519,120	5,008,187	4,722,853	4,542,098	4,275,775
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 7,300,216</b>	<b>\$ 6,961,780</b>	<b>\$ 5,792,820</b>	<b>\$ 5,519,119</b>	<b>\$ 5,008,187</b>	<b>\$ 4,722,853</b>	<b>\$ 4,542,098</b>
<b>Plan Fiduciary Net Position</b>							
Contributions							
Employer	132,893	156,998	\$ 87,779	\$ 93,952	\$ 97,795	\$ 148,553	\$ 133,220
Member	47,285	361,538	24,012	25,847	29,048	26,332	35,970
Net Investment Income	693,509	982,485	(241,456)	819,958	355,749	(57,066)	339,170
Benefit Payments, Including Refunds of Member Contributions	(291,851)	(196,106)	(282,266)	(238,193)	(215,723)	(231,311)	(195,080)
Administrative Expense	(7,875)	(9,100)	(7,040)	(10,736)	(10,980)	(5,280)	(6,130)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>573,961</b>	<b>1,295,815</b>	<b>(418,971)</b>	<b>690,828</b>	<b>255,889</b>	<b>(118,772)</b>	<b>307,150</b>
Plan Fiduciary Net Position - Beginning	6,745,234	5,449,419	5,868,390	5,177,562	4,921,673	5,040,445	4,733,295
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 7,319,195</b>	<b>\$ 6,745,234</b>	<b>\$ 5,449,419</b>	<b>\$ 5,868,390</b>	<b>\$ 5,177,562</b>	<b>\$ 4,921,673</b>	<b>\$ 5,040,445</b>
<b>Net Pension Liability (Asset), Ending (a)-(b)</b>	<b>\$ (18,979)</b>	<b>\$ 216,546</b>	<b>\$ 343,401</b>	<b>\$ (349,271)</b>	<b>\$ (169,375)</b>	<b>\$ (198,820)</b>	<b>\$ (498,347)</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.26%	96.89%	94.07%	106.33%	103.38%	104.21%	110.97%
Covered Payroll	\$ 1,372,020	\$ 1,417,199	\$ 1,954,027	\$ 1,856,874	\$ 1,864,272	\$ 1,832,804	\$ 1,847,086
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>-1.38%</b>	<b>15.28%</b>	<b>17.57%</b>	<b>-18.81%</b>	<b>-9.09%</b>	<b>-10.85%</b>	<b>-26.98%</b>

## Notes to Schedule:

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

**WARRINGTON TOWNSHIP  
SCHEDULE OF NON-UNIFORM EMPLOYEES'  
PENSION PLAN CONTRIBUTIONS AND INVESTMENT RETURNS  
LAST 10 FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 132,893	\$ 156,998	\$ 87,779	\$ 93,952	\$ 97,795	\$ 148,553	\$ 132,470
Contributions in Relation to Actuarially Determined Contribution	132,893	156,998	87,779	93,952	97,795	148,553	132,470
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,372,020	\$ 1,417,199	\$ 1,954,027	\$ 1,856,874	\$ 1,864,272	\$ 1,832,804	\$ 1,847,086
Contribution as a Percentage of Covered Payroll	9.69%	11.08%	4.49%	5.06%	5.25%	8.11%	7.17%

Notes to Schedule

Valuation Date January 1, 2019

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	16 years
Asset Valuation Method	Market Value
Inflation	3.0%
Salary Increases	4.5%
Investment Rate of Return	6.75%
Retirement Age	Normal Retirement Age
Mortality	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.

Notes to Schedule

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

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.96%	16.80%	-4.41%	17.16%	8.11%	0.10%	7.70%

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

WARRINGTON TOWNSHIP  
 SCHEDULE OF CHANGES IN THE NET OPEB PLAN LIABILITY  
 LAST 10 FISCAL YEARS\*  
 DECEMBER 31, 2020

	2020	2019	2018
Service Cost	203,432	\$ 261,328	\$ 226,824
Interest	119,037	130,716	137,531
Difference between Projected and Actual Experience		(995,658)	-
Changes of Assumptions	122,981	(129,663)	143,279
Benefit Payments	(52,964)	(101,377)	(125,829)
Net Change in Total OPEB Liability	392,486	(834,654)	381,805
Total OPEB Liability, Beginning of Year	3,095,515	3,930,169	3,548,364
Total OPEB Liability, End of Year	\$ 3,488,001	\$ 3,095,515	\$ 3,930,169

*Notes to Schedule:*

Valuation Date: January 1, 2019 projected to measurement date of January 1, 2020.

Methods and Assumptions:

Participant Data	Based on census information as of January 1, 2019.
Interest Rate	3.26 % Based on S&P Municipal 20 Year High Grade Rate Index at 1/1/2020.
Salary	An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 4.50%.
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.
Retirement	Latest of age 53, age at the completion of 27 years of service, or age on the valuation date.
Percent of Eligible Retiree Electing Coverage in Plan	100% of employees are assumed to elect coverage.
Percent Married at Retirement	75% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
Spouse Age	Wives are assumed to be two years younger than their husbands.
Retiree Contributions	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
Health Care Cost Trend Rate	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial Value of Assets	Equal to the Market Value of Assets

\* Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

WARRINGTON TOWNSHIP  
 SCHEDULE OF OPEB PLAN CONTRIBUTIONS  
 LAST 10 FISCAL YEARS\*  
 DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 52,964	\$ 101,377	\$ 125,829
Contributions in relation to the contractually required contribution	<u>52,964</u>	<u>101,377</u>	<u>125,829</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's covered payroll	\$ 3,554,595	\$ 3,554,595	\$ 3,259,351
Contributions as a percentage of covered payroll	1.49%	2.85%	3.86%

\*Schedule is intended to show information for ten years. Additional years will be disclosed as they become available in future years.

**OTHER SUPPLEMENTARY INFORMATION**



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

	Capital	Special		Total Other Governmental Funds
	Projects Fund	Revenue Funds		
	General Capital Fund	Highway Aid Fund	Fire Fund	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 79,633	\$ 1,228,245	\$ 272,164	\$ 1,580,042
Taxes Receivable	-	-	1,982	1,982
Due from Other Funds	237,175	-	-	237,175
<b>Total Assets</b>	<b>\$ 316,808</b>	<b>\$ 1,228,245</b>	<b>\$ 274,146</b>	<b>\$ 1,819,199</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ 68,499	\$ 35,455	\$ 103,954
Due to Other Funds	-	26,877	100,000	126,877
<b>Total Liabilities</b>	<b>-</b>	<b>95,376</b>	<b>135,455</b>	<b>230,831</b>
<b>Fund Balances</b>				
<b>Restricted</b>				
Capital Improvements	316,808	-	-	316,808
Fire Services	-	-	138,691	138,691
Liquid Fuels	-	1,132,869	-	1,132,869
<b>Total Fund Balances</b>	<b>316,808</b>	<b>1,132,869</b>	<b>138,691</b>	<b>1,588,368</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 316,808</b>	<b>\$ 1,228,245</b>	<b>\$ 274,146</b>	<b>\$ 1,819,199</b>

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

	Capital Project Funds	Special Revenue Funds		Total Other Governmental Funds
	General Capital Fund	Highway Aid Fund	Fire Fund	
Revenues				
Intergovernmental	\$ -	\$ 726,816	\$ -	\$ 726,816
Property Taxes	-	-	433,345	433,345
Grants	28,846	-	-	28,846
Investment Income and Rent	-	3,725	-	3,725
<b>Total Revenues</b>	<b>28,846</b>	<b>730,541</b>	<b>433,345</b>	<b>1,192,732</b>
Expenditures				
Current				
General Government	-	-	8,551	8,551
Public Safety	-	-	327,524	327,524
Highways and Roads	-	184,028	-	184,028
Culture and Recreation	41,971	-	-	41,971
Debt Service				
Principal	-	215,000	-	215,000
Interest and Other Charges	-	37,809	-	37,809
<b>Total Expenditures</b>	<b>41,971</b>	<b>436,837</b>	<b>336,075</b>	<b>814,883</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(13,125)</b>	<b>293,704</b>	<b>97,270</b>	<b>377,849</b>
Other Financing Sources (Uses)				
Transfers In	143,778	-	-	143,778
<b>Total Other Financing Sources (Uses)</b>	<b>143,778</b>	<b>-</b>	<b>-</b>	<b>143,778</b>
<b>Net Change in Fund Balances</b>	<b>130,653</b>	<b>293,704</b>	<b>97,270</b>	<b>521,627</b>
Fund Balances at Beginning of Year	186,155	839,165	41,421	1,066,741
<b>Fund Balances at End of Year</b>	<b>\$ 316,808</b>	<b>\$ 1,132,869</b>	<b>\$ 138,691</b>	<b>\$ 1,588,368</b>

WARRINGTON TOWNSHIP  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 DECEMBER 31, 2020

	Component Units		
	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Employees Pension Fund	Total Pension Trust Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 426,895	\$ 150,401	\$ 577,296
Investments	20,673,285	7,029,998	27,703,283
Due from Fiduciary Funds	-	127,887	127,887
Due from Members	-	10,909	10,909
Total Assets	<u>\$ 21,100,180</u>	<u>\$ 7,319,195</u>	<u>\$ 28,419,375</u>
<b>Liabilities</b>			
Due to Fiduciary Funds	<u>\$ 127,887</u>	<u>\$ -</u>	<u>\$ 127,887</u>
<b>Net Position</b>			
Held in Trust for Benefits and Other Purposes	<u>20,972,293</u>	<u>7,319,195</u>	<u>28,291,488</u>
Total Liabilities and Net Position	<u>\$ 21,100,180</u>	<u>\$ 7,319,195</u>	<u>\$ 28,419,375</u>

WARRINGTON TOWNSHIP  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2020

	Component Units		
	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Employees Pension Fund	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 1,075,537	\$ 132,893	\$ 1,208,430
Plan Members	197,017	47,285	244,302
Total Contributions	<u>1,272,554</u>	<u>180,178</u>	<u>1,452,732</u>
Investment Earnings			
Net Increase in Fair Value of Investments	1,739,713	622,411	2,362,124
Dividends	274,550	103,256	377,806
Investment Earnings, Net	<u>2,014,263</u>	<u>725,667</u>	<u>2,739,930</u>
Total Additions	<u>3,286,817</u>	<u>905,845</u>	<u>4,192,662</u>
Deductions			
Benefits Paid	768,942	291,851	1,060,793
Administrative	87,284	40,033	127,317
Total Deductions	<u>856,226</u>	<u>331,884</u>	<u>1,188,110</u>
Change in Net Position	2,430,591	573,961	3,004,552
Net Position, Beginning of Year	<u>18,541,702</u>	<u>6,745,234</u>	<u>25,286,936</u>
Net Position, End of Year	<u>\$ 20,972,293</u>	<u>\$ 7,319,195</u>	<u>\$ 28,291,488</u>



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

## Independent Auditor's Report

To the Board of Supervisors  
Warrington Township  
Warrington, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warrington Township as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Warrington Township's basic financial statements, and have issued our report thereon dated February 18, 2022.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warrington Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warrington Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Warrington Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warrington Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Board of Supervisors  
Warrington Township  
Warrington, Pennsylvania

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
February 18, 2022