

WORCESTER TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2021

(See Independent Auditors' Report)

WORCESTER TOWNSHIP
FINANCIAL STATEMENTS
December 31, 2021

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BEE BERGVALL & Co.

Certified Public Accountants

936 Easton Rd., PO Box 754, Warrington, PA 18976
70 W. Oakland Ave., Suite 203, Doylestown, PA 18901 | 130 Almshouse Rd. Suite 201A, Richboro, PA 18954
215-343-2727 | www.bbco-cpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Worcester Township
Worcester, Pennsylvania

Opinions

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

In our opinion, the accompanying financial statements 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 the Township, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Warrington, PA
May 19, 2022

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

This discussion and analysis of the financial statements of Worcester Township, Montgomery County, Pennsylvania (the Township) for the calendar year ended December 31, 2021 has been prepared by the Township Treasurer. The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2021. Please read this in conjunction with the Township's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements (Full Accrual)

The government-wide financial statements report information about the Township as a whole using the economic resources measurement focus and accrual basis of accounting.

- The total net position (assets less liabilities) on a government-wide basis was \$33.9 million.
- Taxes and other revenues of the Township's governmental activities amounted to \$5.8 million and expenses equaled \$5.2 million.
- Revenues of the Township's business-type activities for 2021 were \$867,000 and business-type expenses were \$809,000.

Highlights for Fund Financial Statements (Modified Accrual)

The fund financial statements provide more detailed information about the Township's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- At December 31, 2021, the Township's total government funds reported a fund balance of \$15.9 million, an increase of \$500,000 in comparison with the prior year.
- The Township's General Fund reported a fund balance of \$843,000, an increase of \$161,000 from December 31, 2021.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

General Financial Highlights

Township receipts increased in 2021. Dollars received from General Fund receipts – Taxes, Investment Earnings and Miscellaneous Income – totaled \$4.8 million in 2021, compared to \$4.2 million in 2020, for an approximate 15% increase. Earned Income Taxes accounted for 62% percent of this amount, or \$3.0 million. Employment among Township residents is well diversified, in terms of both employment sectors and employment location. As such the Earned Income Tax receipt is relatively protected against modest fluctuations in local, state and federal employment conditions.

The Township levies a 0.05 mill tax on real estate, which is currently the lowest municipal real estate tax rate in Montgomery County. In 2021, real estate tax generated \$48,300.

Public Works-related costs have long topped the annual list of Township expenditures, and 2021 was no different. The annual road program construction cost totaled \$842,000, which included \$368,000 in Liquid Fuel Funds. The Township recognizes that State-provided Liquid Fuel Funds are inadequate to meet the community's infrastructure needs, and therefore augments this annual allocation with dollars from the Capital Fund and General Fund. By providing a responsible road program today, the Township avoids shifting an undue maintenance obligation to the residents of tomorrow.

Using this Annual Report

This annual report consists of two kinds of basic financial statements, each with a different view of the Township's finances. The Statement of Net Position and the Statement of Activities (on pages 18-20) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 21. For governmental activities, these statements indicate how services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the information about the Township's most significant funds. The remaining statements provide information on funds outside the government activities. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains data pertaining to the pension plans.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 10. The question asked about the Township's finances is if the Township as a whole is better or worse as a result of the year's activities. The Statement of Net Position and the Statement of Activities report information about Worcester Township as a whole and about its activities in the way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. Think of the Township's net position, the difference between assets and liabilities, as one way to measure the financial health or financial position. Over time, increases or decreases in the Township's net position are an indicator of whether the financial health is improving or deteriorating. Consideration needs to be given to other non-financial factors, however, such as the changes in the Township's property tax base, wage tax changes, and condition of the Township's roads, parks, and buildings to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two kinds of activities:

- **Governmental activities** – Most of the Township's basic services are reported here including administrative, permit and licenses, fire services, public works, parks and recreation, and community development. Property taxes, earned income tax, franchise fees, user fees and state grants finance most of these activities.
- **Business-type activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's wastewater (sewer) services are reported here.

Reporting the Township's Most Significant Funds

Our analysis of Worcester's major funds begins on page 14. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements begin on page 21 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by state law. However, the Township Board of Supervisors establishes other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities utilizing certain taxes, grants, and other money. The Township's two kinds of funds, governmental and proprietary, use different accounting approaches.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in reconciliations on pages 22 and 24.
- **Proprietary Funds** – When the Township charges customers for the services it provides, whether to outside customers or the other units of the Township, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, one of the Township's enterprise funds, Sewage Treatment (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information such as cash flows for sewer operations.

The Township as a Trustee

The Township is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 29-30. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Infrastructure Assets

Infrastructure (roads, bridges, storm sewers, etc.) is capitalized on a perspective basis beginning in 2004. The Township has chosen to depreciate assets over their useful life. If a road project is considered maintenance, the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

WORCESTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

Table 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 16,448,921	\$ 16,242,091	\$ 2,636,893	\$ 1,885,860	\$ 19,085,814	\$ 18,127,951
Capital assets	13,380,711	13,242,083	4,121,789	4,411,779	17,502,500	17,653,862
Total assets	<u>29,829,632</u>	<u>29,484,174</u>	<u>6,758,682</u>	<u>6,297,639</u>	<u>36,588,314</u>	<u>35,781,813</u>
Total deferred outflows of resources	<u>112,484</u>	<u>89,695</u>	<u>-</u>	<u>-</u>	<u>112,484</u>	<u>89,695</u>
Other liabilities	106,968	430,014	683,792	151,231	790,760	581,245
Long term liabilities	<u>-</u>	<u>-</u>	<u>1,710,000</u>	<u>1,840,000</u>	<u>1,710,000</u>	<u>1,840,000</u>
Total liabilities	<u>106,968</u>	<u>430,014</u>	<u>2,393,792</u>	<u>1,991,231</u>	<u>2,500,760</u>	<u>2,421,245</u>
Total deferred inflows of resources	<u>322,297</u>	<u>195,789</u>	<u>-</u>	<u>-</u>	<u>322,297</u>	<u>195,789</u>
Net position:						
Net investment in capital assets	13,380,711	13,242,083	2,281,789	2,441,779	15,662,500	15,683,862
Restricted	1,677,269	1,415,625	-	-	1,677,269	1,415,625
Unrestricted	<u>14,454,871</u>	<u>14,290,358</u>	<u>2,083,101</u>	<u>1,864,629</u>	<u>16,537,972</u>	<u>16,154,987</u>
Total net position	<u>\$ 29,512,851</u>	<u>\$ 28,948,066</u>	<u>\$ 4,364,890</u>	<u>\$ 4,306,408</u>	<u>\$ 33,877,741</u>	<u>\$ 33,254,474</u>

For more detailed information, see the Statement of Net Position (page 18).

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$33.9 million at year-end 2021. The largest portion of the Township's assets reflects cash and investments that will be used to fund future projects. The restricted net position portion represents resources that are subject to external restrictions on how they may be used. The unrestricted net position for governmental activities is the portion of net position for governmental activities that can be used to finance day-to-day operations without constraints established by enabling legislation, or other legal requirements.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Normal Impacts

There are basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities which will impact (increase/decrease) current assets and unrestricted net position.

Spending of Non-Borrowed Current Assets on New Capital which will (a) reduce current assets and increase capital assets, and (b) will reduce unrestricted net position and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation which will reduce capital assets and invested in capital assets, net of debt.

Current Year Impacts

The primary impact for governmental activities is the use of unrestricted net position to offset the gap between appropriations and revenues.

The overall net position of governmental activities increased by \$564,000 in 2021, which was \$1 million lower than last year's change in net position. Expenses were higher in 2021 by \$1.3 million due to road maintenance, vehicle repairs, and a change to Public Works and Administration employees.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

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

Table 2
Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES						
Program Revenues						
Charges for services	\$ 440,338	\$ 314,764	\$ 847,615	\$ 655,002	\$ 1,287,953	\$ 969,766
Operating grants and contributions	486,499	517,319	-	-	486,499	517,319
Capital grants and contributions	552,255	884,991	19,329	-	571,584	884,991
General Revenue						
Property taxes	48,379	47,223	-	-	48,379	47,223
Other taxes	3,737,428	3,235,379	-	-	3,737,428	3,235,379
Investment income	7,392	89,483	737	7,494	8,129	96,977
Other	489,866	432,111	-	-	489,866	432,111
Total Revenues	<u>5,762,157</u>	<u>5,521,270</u>	<u>867,681</u>	<u>662,496</u>	<u>6,629,838</u>	<u>6,183,766</u>
EXPENSES						
Administrative	1,063,811	1,008,466	-	-	1,063,811	1,008,466
Permits and licenses	149,999	183,472	-	-	149,999	183,472
Fire service	376,319	375,690	-	-	376,319	375,690
Public works	3,342,924	2,071,287	-	-	3,342,924	2,071,287
Parks and recreation	264,319	229,479	-	-	264,319	229,479
Sewer	-	-	809,199	828,721	809,199	828,721
Total Expenses	<u>5,197,372</u>	<u>3,868,394</u>	<u>809,199</u>	<u>828,721</u>	<u>6,006,571</u>	<u>4,697,115</u>
Changes in net position	564,785	1,652,876	58,482	(166,225)	623,267	1,486,651
Net Position, beginning of year	<u>28,948,066</u>	<u>27,295,190</u>	<u>4,306,408</u>	<u>4,472,633</u>	<u>33,254,474</u>	<u>31,767,823</u>
Net Position, end of year	<u>\$ 29,512,851</u>	<u>\$ 28,948,066</u>	<u>\$ 4,364,890</u>	<u>\$ 4,306,408</u>	<u>\$ 33,877,741</u>	<u>\$ 33,254,474</u>

For more detail see Statement of Activities (pages 19-20).

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Normal Impacts

There are basic impacts on revenues and expenses as reflected below.

Revenues:

Economic Condition – This can reflect a declining, stable or growing economic environment and has a substantial impact on property or other tax revenue, as well as public spending habits for building permits and elective user fees.

Increase/Decrease in Township Approved Rates – While certain tax rates are set by statute, the Township Board of Supervisors has authority to impose and periodically increase/decrease rates (real estate tax millage, sewer fees, building fees, user fees, etc.). The real estate tax millage has remained at .05.

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state-shared revenues, block grant, etc.) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income – The Township's investment portfolio is managed using a one to two-year average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic conditions.

Expenses:

Salary & Benefits Increases (annual adjustments) – The ability to attract and retain human resources requires Worcester Township to strive to approach a competitive salary and range position in the marketplace.

Inflation – While overall inflation appears to be increasing, the Township is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific fluctuations.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

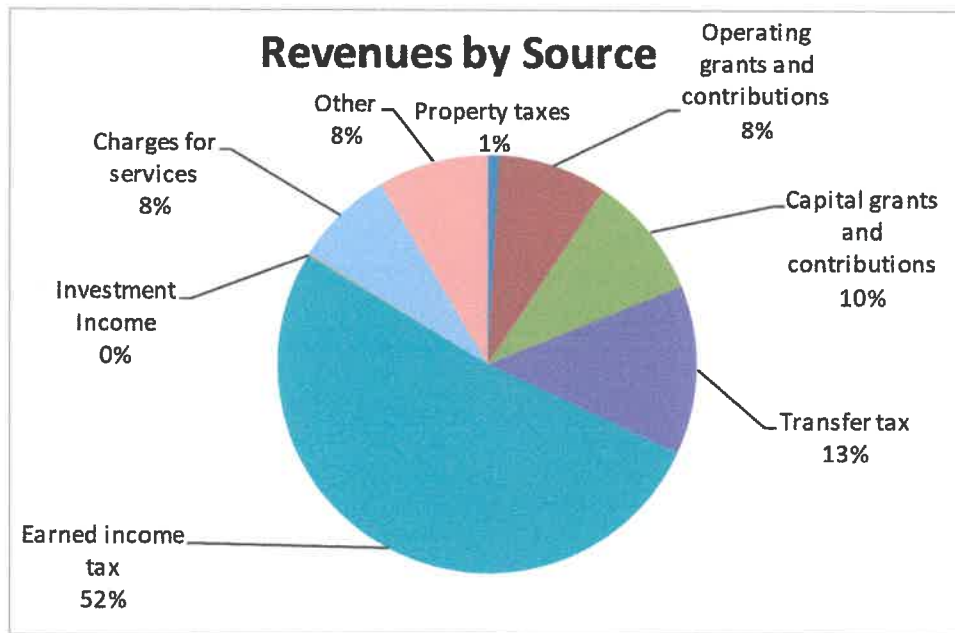
DECEMBER 31, 2021

Current Year Impacts

Governmental Activities

Revenues for the Township's governmental activities were \$5.7 million. Earned Income Taxes constitute the largest source of Township revenues (52%), and totaled \$3.0 million in 2021, an increase of \$300,000 from 2020. In 2021, real estate taxes totaled \$48,300, or approximately 1% of total revenues, and real estate transfer taxes totaled \$754,000, an increase of \$133,000 from 2020.

The following chart shows the revenues of the governmental activities.



The cost of all governmental activities this year was \$5.1 million consisting of administrative, code enforcement, safety, public works, and park expenses.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Business-type Activities

Total revenues of the Wastewater Treatment Operations were \$847,000 as compared to total costs of 809,000 including non-cash depreciation expense of \$289,000. The Sewer Fund receives its primary revenue through user fees, tapping fees and assessment payments. Each year the Township approves a user fee calculated to recapture the sanitary sewer system's estimated operating and capital expenses.

Table 3
Governmental/Business Type Activities

	Total Cost of Services		Net Cost of Services	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Governmental Activities				
Administrative	\$ 1,063,811	\$ 1,008,466	\$ 976,695	\$ 930,063
Code and Engineering	149,999	183,472	132,558	161,834
Emergency Services	376,319	375,690	(109,416)	6,165
Public Works	3,342,924	2,071,287	2,472,358	839,230
Parks	<u>264,319</u>	<u>229,479</u>	<u>246,085</u>	<u>214,028</u>
Total Governmental Activities	<u>\$ 5,197,372</u>	<u>\$ 3,868,394</u>	<u>\$ 3,718,280</u>	<u>\$ 2,151,320</u>
Total Sewer - Business Type Activities	<u>\$ 809,199</u>	<u>\$ 828,721</u>	<u>\$ (57,745)</u>	<u>\$ 173,719</u>

THE TOWNSHIP'S FUNDS

At year's end Township governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of \$15.8 million. Of this amount \$18,500 is Liquid Fuel Funds, and as such is restricted for road maintenance expenditures only, and \$1.6 million is restricted for transportation improvement projects in accordance with Act 209 of 1990. The balance represents the unreserved fund balance.

General Fund Budgetary Highlights

General Fund actual revenues exceeded budgeted revenues by \$1 million. The largest variances were realized in the transfer taxes, earned income, which exceeded amounts budgeted by \$379,000 and \$440,000, respectively. Those increases are attributable to new development, which resulted in new homes sales and new residents paying taxes.

General Fund expenses were \$309,900 under budget mainly from having conservative budget practices, and having lower stormwater management, legal and engineering expenses than anticipated.

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Capital Assets

As of December 31, 2021, on a government-wide basis, the Township had \$17.5 million invested in a broad range of capital assets, including buildings, parks, open space, and wastewater facilities (see table below). Three roadways were added to the liquid fuels inventory in 2021. The new roadway is located in a newly-completed development.

The following reconciliation summarizes the Capital Assets, which is presented in detail on pages 44-45 of the Notes.

Table 4
Change in Capital Assets
Governmental Activities

	Beginning Balance <u>12/31/2020</u>	Net Additions/ Deletions	Ending Balance <u>12/31/2021</u>
Non-Depreciable Assets			
Land	\$ 4,871,637	\$ -	\$ 4,871,637
Easements	642,588	7,500	650,088
Other Capital Assets			
Building and improvements	3,056,863	58,545	3,115,408
Infrastructure	6,022,162	425,653	6,447,815
Land improvements	1,457,404	-	1,457,404
Office equipment	127,922	-	127,922
Machinery and equipment	545,830	156,008	701,838
Vehicles	764,792	10,717	775,509
Traffic signal	465,702	-	465,702
Accumulated depreciation	<u>(4,712,817)</u>	<u>(519,795)</u>	<u>(5,232,612)</u>
Total Governmental Capital Assets	<u>\$ 13,242,083</u>	<u>\$ 138,628</u>	<u>\$ 13,380,711</u>
Business-Type Activities			
Other Capital Assets			
Building and improvements	\$ 3,483,147	\$ -	\$ 3,483,147
Improvements/sewer lines	4,387,393	-	4,387,393
Machinery and equipment	686,813	-	686,813
Accumulated depreciation	<u>(4,145,574)</u>	<u>(289,990)</u>	<u>(4,435,564)</u>
Total Business-Type Capital Assets	<u>\$ 4,411,779</u>	<u>\$ (289,990)</u>	<u>\$ 4,121,789</u>
Total Government-Wide Capital Assets	<u>\$ 17,653,862</u>	<u>\$ (151,362)</u>	<u>\$ 17,502,500</u>

WORCESTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Debt

Township Governmental Activities ended the year without debt.

Township Business-type Activities include the 2017 issuance of a \$2.495 million General Obligation Bond to fund the Hickory Hill Sewer Expansion Project and to retire a 2013 loan to construct improvements to the Valley Green Wastewater Treatment Plant.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township retained its conservative fiscal practices when preparing the 2022 Budget.

The 2021 General Fund budget is approximately 2.5% or \$86,000 higher than the 2020 budget. The years were comparable, with the only difference being additions to the public works staff, changes to the administration and a 10% increase to the monthly stipend paid to those employees who serve as volunteer firefighters.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Treasurer at Worcester Township, P.O. Box 767, 1721 Valley Forge Road, Worcester, PA 19490 or go to the web site www.Worcestertwp.com.

WORCESTER TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 15,149,911	\$ 2,057,902	\$ 17,207,813
Receivables	1,071,727	178,493	1,250,220
Notes receivable	-	397,797	397,797
Internal balances	(2,701)	2,701	-
Net pension asset	229,984	-	229,984
Land	4,871,637	-	4,871,637
Easements	650,088	-	650,088
Other capital assets (net of accumulated depreciation)	7,858,986	4,121,789	11,980,775
Total Assets	<u>29,829,632</u>	<u>6,758,682</u>	<u>36,588,314</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Changes in pension assumptions	112,484	-	112,484
Total Deferred Outflows of Resources	<u>112,484</u>	<u>-</u>	<u>112,484</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	106,968	27,321	134,289
Deferred revenue	-	526,471	526,471
Non-current liabilities:			
Due within one year	-	130,000	130,000
Due after one year	-	1,710,000	1,710,000
Total Liabilities	<u>106,968</u>	<u>2,393,792</u>	<u>2,500,760</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Differences between expected and actual experience on pension plan liability	210,820	-	210,820
Net difference between projected and actual earnings on pension plan investments	111,477	-	111,477
Total Deferred Inflows of Resources	<u>322,297</u>	<u>-</u>	<u>322,297</u>
<u>NET POSITION</u>			
Net investment in capital assets	13,380,711	2,281,789	15,662,500
Restricted			
Highways	18,561	-	18,561
Transportation	1,658,708	-	1,658,708
Unrestricted	14,454,871	2,083,101	16,537,972
Total Net Position	<u>\$ 29,512,851</u>	<u>\$ 4,364,890</u>	<u>\$ 33,877,741</u>

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

WORCESTER TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Primary Government Total	Governmental Activities		
		Governmental Activities Total	Administrative	Permits & Licenses
Expenses:				
Program expenses	\$ 5,126,384	\$ 4,648,606	\$ 1,015,960	\$ 149,999
Depreciation	838,756	548,766	47,851	-
Interest on debt	41,431	-	-	-
Total Expenses	<u>6,006,571</u>	<u>5,197,372</u>	<u>1,063,811</u>	<u>149,999</u>
Program Revenues:				
Charges for services	1,287,953	440,338	-	17,441
Operating grants and contributions	486,499	486,499	61,273	-
Capital grants and contributions	571,584	552,255	25,843	-
Total Program Revenues	<u>2,346,036</u>	<u>1,479,092</u>	<u>87,116</u>	<u>17,441</u>
Net (Expense) Revenue	(3,660,535)	(3,718,280)	(976,695)	(132,558)
General Revenues:				
Taxes:				
Property	48,379	48,379		
Transfer tax	754,016	754,016		
Earned income tax	2,982,698	2,982,698		
Other	714	714		
Investment earnings	8,129	7,392		
Miscellaneous	489,866	489,866		
Total General Revenues	<u>4,283,802</u>	<u>4,283,065</u>		
Change in net position	623,267	564,785		
Net position - beginning, restated	<u>33,254,474</u>	<u>28,948,066</u>		
Net position - ending	<u>\$ 33,877,741</u>	<u>\$ 29,512,851</u>		

<u>Governmental Activities</u>			<u>Activities</u>
<u>Fire Services</u>	<u>Public Works</u>	<u>Park & Recreation</u>	<u>Sewage Treatment</u>
\$ 376,319	\$ 2,946,422	\$ 159,906	\$ 477,778
-	396,502	104,413	289,990
-	-	-	41,431
<u>376,319</u>	<u>3,342,924</u>	<u>264,319</u>	<u>809,199</u>
404,663	-	18,234	847,615
81,072	344,154	-	-
-	526,412	-	19,329
<u>485,735</u>	<u>870,566</u>	<u>18,234</u>	<u>866,944</u>
109,416	(2,472,358)	(246,085)	57,745
			-
			-
			-
			-
			737
			-
			<u>737</u>
			58,482
			<u>4,306,408</u>
			<u>\$ 4,364,890</u>

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

WORCESTER TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	<u>General</u>	<u>Capital Reserve</u>	<u>Other Government Funds Highway Aid</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 104,043	\$ 15,027,307	\$ 18,561	\$ 15,149,911
Receivables	<u>794,998</u>	<u>23,222</u>	<u>-</u>	<u>818,220</u>
Total Assets	<u>\$ 899,041</u>	<u>\$ 15,050,529</u>	<u>\$ 18,561</u>	<u>\$ 15,968,131</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable and accrued wages	\$ 53,353	\$ 53,615	\$ -	\$ 106,968
Due to other funds	<u>2,701</u>	<u>-</u>	<u>-</u>	<u>2,701</u>
Total Liabilities	<u>56,054</u>	<u>53,615</u>	<u>-</u>	<u>109,669</u>
 Fund Balances				
Restricted for:				
Highways	-	-	18,561	18,561
Transportation	-	1,658,708	-	1,658,708
Committed for:				
Capital projects	-	13,338,206	-	13,338,206
Unassigned	<u>842,987</u>	<u>-</u>	<u>-</u>	<u>842,987</u>
Total Fund Balances	<u>842,987</u>	<u>14,996,914</u>	<u>18,561</u>	<u>15,858,462</u>
 TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 899,041</u>	<u>\$ 15,050,529</u>	<u>\$ 18,561</u>	<u>\$ 15,968,131</u>

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

WORCESTER TOWNSHIP

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

DECEMBER 31, 2021

Amounts reported for governmental activities in the statement of net position (page 18)
are different because:

Total fund balances-total governmental funds (page 21) \$ 15,858,462

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds.

Earned income tax receivable	253,507	
Net pension asset	<u>229,984</u>	483,491

Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	18,613,323	
Accumulated depreciation	<u>(5,232,612)</u>	13,380,711

Deferred inflows and outflows or resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Net difference between projected and actual earnings on pension plan investments	(111,477)	
Changes in pension assumptions	112,484	
Differences between expected and actual experience on pension plan liability	<u>(210,820)</u>	<u>(209,813)</u>

Total net position for governmental activities (page 18) \$ 29,512,851

WORCESTER TOWNSHIP

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

FOR THE YEAR DECEMBER 31, 2021

	<u>General</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds Highway Aid</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Property	\$ 48,379	\$ -	\$ -	\$ 48,379
Transfer	754,016	-	-	754,016
Earned income	3,022,590	-	-	3,022,590
Other	714	-	-	714
Fees, licenses and permits	214,588	-	-	214,588
Investment income and rent	215,729	6,685	62	222,476
Intergovernmental revenues	142,345	210,713	344,154	697,212
Fines and forfeitures	1,720	-	-	1,720
Program revenues	438,618	300,827	-	739,445
Other	16,516	25,843	-	42,359
Total Revenues	<u>4,855,215</u>	<u>544,068</u>	<u>344,216</u>	<u>5,743,499</u>
Expenditures				
Current:				
General government	995,892	60,901	-	1,056,793
Public safety	529,237	-	-	529,237
Highways and roads	842,455	2,364,816	368,000	3,575,271
Culture and recreation	62,639	112,217	-	174,856
Miscellaneous	90,157	-	-	90,157
Total Expenditures	<u>2,520,380</u>	<u>2,537,934</u>	<u>368,000</u>	<u>5,426,314</u>
Excess (Deficiency) of Revenues Over expenditures	<u>2,334,835</u>	<u>(1,993,866)</u>	<u>(23,784)</u>	<u>317,185</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	58,550	-	58,550
Transfers in	-	2,174,312	-	2,174,312
Transfers out	<u>(2,174,312)</u>	<u>-</u>	<u>-</u>	<u>(2,174,312)</u>
Total Other Financing Sources (Uses)	<u>(2,174,312)</u>	<u>2,232,862</u>	<u>-</u>	<u>58,550</u>
Net Change in Fund Balances	160,523	238,996	(23,784)	375,735
Fund Balance - Beginning	<u>682,464</u>	<u>14,757,918</u>	<u>42,345</u>	<u>15,482,727</u>
Fund Balance - Ending	<u>\$ 842,987</u>	<u>\$ 14,996,914</u>	<u>\$ 18,561</u>	<u>\$ 15,858,462</u>

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

WORCESTER TOWNSHIP

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

FOR THE YEAR DECEMBER 31, 2021

Changes in Net Position

Amounts reported for governmental activities in the statement of activities (page 19-20)
are different because:

Net change in fund balances-total governmental funds (page 23)	\$	375,735
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(39,892)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	687,394	
Depreciation expense	<u>(548,766)</u>	138,628
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net pension asset and deferred items		<u>90,314</u>
Net change in net position - governmental activities (page 19-20)	\$	<u>564,785</u>

WORCESTER TOWNSHIP

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

FOR THE YEAR DECEMBER 31, 2021

	GENERAL FUND			Variance with Final Budget Over (under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes:				
Property	\$ 47,390	\$ 47,390	\$ 48,379	\$ 989
Transfer	375,000	375,000	754,016	379,016
Earned income	2,582,050	2,582,050	3,022,590	440,540
Other	200	200	714	514
Fees, licenses and permits	216,000	216,000	214,588	(1,412)
Interest and rent	188,592	188,592	215,729	27,137
Intergovernmental revenues	149,079	149,079	142,345	(6,734)
Fines and forfeitures	1,600	1,600	1,720	120
Program revenues	224,125	224,125	438,618	214,493
Other	2,045	2,045	16,516	14,471
Total Revenues	<u>3,786,081</u>	<u>3,786,081</u>	<u>4,855,215</u>	<u>1,069,134</u>
Expenditures				
Current:				
General government	961,068	961,068	995,892	34,824
Public safety	608,883	608,883	529,237	(79,646)
Highways and roads	1,029,179	1,029,179	842,455	(186,724)
Culture and recreation	120,587	120,587	62,639	(57,948)
Miscellaneous	110,581	110,581	90,157	(20,424)
Total Expenditures	<u>2,830,298</u>	<u>2,830,298</u>	<u>2,520,380</u>	<u>(309,918)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>955,783</u>	<u>955,783</u>	<u>2,334,835</u>	<u>1,379,052</u>
Other Financing Sources (Uses)				
Transfers out	(959,356)	(959,356)	(2,174,312)	(1,214,956)
Total Other Financing Sources (Uses)	<u>(959,356)</u>	<u>(959,356)</u>	<u>(2,174,312)</u>	<u>(1,214,956)</u>
Net Change in Fund Balance	(3,573)	(3,573)	160,523	164,096
Fund Balance-beginning	682,464	682,464	682,464	
Fund Balance-ending	<u>\$ 678,891</u>	<u>\$ 678,891</u>	<u>\$ 842,987</u>	

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

WORCESTER TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	<u>Business-Type Activities Sewage Treatment</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 2,057,902
Receivables:	
Sewer rents	178,493
Notes	34,369
Due from other funds	2,701
Total Current Assets	2,273,465
Long-Term Assets	
Notes receivable	363,428
Capital Assets (net of accumulated depreciation)	4,121,789
Total Assets	\$ 6,758,682
<u>LIABILITIES</u>	
Current Liabilities	
Current maturities	\$ 130,000
Accounts payable and accrued wages	27,321
Total Current Liabilities	157,321
Restricted Liabilities	
Deferred Revenue	526,471
Total Restricted Liabilities	526,471
Long-Term Debt	
Long-term note and bonds payable	1,710,000
Total Long-Term Debt	1,710,000
Total Liabilities	2,393,792
<u>NET POSITION</u>	
Net investment in capital assets	2,281,789
Unrestricted	2,083,101
Total Net Position	4,364,890
Total Liabilities and Net Position	\$ 6,758,682

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

WORCESTER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS

FOR THE YEAR DECEMBER 31, 2021

	<u>Business-Type Activities Sewage Treatment</u>
Operating Revenues	
Sewer service charges	\$ 670,070
Other revenues	11,145
Total Operating Revenues	<u>681,215</u>
Operating Expenses	
Sewer operations	473,084
Administrative	3,644
Depreciation expense	289,990
Total Operating Expenses	<u>766,718</u>
Operating Income (Loss)	<u>(85,503)</u>
Nonoperating Revenues (Expense)	
Net earnings on investments	737
Interest expense	(41,431)
Tapping fees	166,400
Other	(1,050)
Capital grants	19,329
Total Nonoperating Revenues (Expense)	<u>143,985</u>
Change in Net Position	58,482
Total Net Position-Beginning, restated	<u>4,306,408</u>
Total Net Position-Ending	<u>\$ 4,364,890</u>

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

WORCESTER TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR DECEMBER 31, 2021

	<u>Business-Type Activities Sewage Treatment</u>
Cash flows from operating activities	
Cash received from customers	\$ 666,518
Cash paid to suppliers for goods and services	(471,379)
Net cash provided by (used in) operating activities	<u>195,139</u>
Cash flows from capital and related financing activities	
Principal paid on long-term debt	(130,000)
Payment on notes receivable	32,234
Interest paid on long-term debt	(41,431)
Cash received from capital grants	545,800
Bond issuance expenditures	(1,050)
Payments for tapping fees	166,400
Net cash provided by (used in) capital and related financing activities	<u>571,953</u>
Cash flows from investing activities	
Interest and dividends on investments	<u>737</u>
Net cash provided by (used in) investing activities	<u>737</u>
Net increase (decrease) in cash and cash equivalents	767,829
Beginning cash and cash equivalents	<u>1,290,073</u>
Ending cash and cash equivalents	<u>\$ 2,057,902</u>
 Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Net operating income (loss)	<u>\$ (85,503)</u>
Adjustments to reconcile net operating (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	289,990
Changes in assets and liabilities	
(Increase) decrease in receivables	(14,697)
Increase (decrease) in accounts payable	6,090
(Increase) decrease in due from other funds	(741)
Net adjustments	<u>280,642</u>
Cash provided by (used in) operating activities	<u>\$ 195,139</u>

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

WORCESTER TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

DECEMBER 31, 2021

	<u>Pension Trust Funds</u>		<u>Custodial Fund</u>	<u>Total</u>
	<u>Defined Benefit</u>	<u>Defined Contribution</u>		
<u>ASSETS</u>				
Current Assets				
Cash	\$ -	\$ -	\$ 323,715	\$ 323,715
Pennsylvania State Association of Boroughs Municipal Retirement Trust	1,398,078	73,633	-	1,471,711
Total Current Assets	<u>1,398,078</u>	<u>73,633</u>	<u>323,715</u>	<u>1,795,426</u>
 TOTAL ASSETS	 <u>\$ 1,398,078</u>	 <u>\$ 73,633</u>	 <u>\$ 323,715</u>	 <u>\$ 1,795,426</u>
 <u>LIABILITIES</u>				
Payable to Twp.	\$ -	\$ 18,518	\$ -	\$ 18,518
Interfund balances	<u>(5,921)</u>	<u>5,921</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>(5,921)</u>	<u>24,439</u>	<u>-</u>	<u>18,518</u>
 <u>NET POSITION</u>				
Restricted for Pension Benefits	1,403,999	49,194	-	1,453,193
Restricted for developers	<u>-</u>	<u>-</u>	<u>323,715</u>	<u>323,715</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,398,078</u>	<u>\$ 73,633</u>	<u>\$ 323,715</u>	<u>\$ 1,795,426</u>

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

WORCESTER TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR DECEMBER 31, 2021

	Pension Trust Funds			
	Defined	Defined	Custodial	
	<u>Benefit</u>	<u>Contribution</u>	<u>Fund</u>	<u>Total</u>
Additions				
State contributions	\$ 54,861	\$ 2,706	\$ -	\$ 57,567
Escrow receipts	-	-	39,582	39,582
Total Contributions	<u>54,861</u>	<u>2,706</u>	<u>39,582</u>	<u>97,149</u>
Investment Earnings				
Net appreciation (depreciation) in fair value of investments	151,867	6,108	-	157,975
Dividends	12,508	518	-	13,026
Interest	<u>2,950</u>	<u>117</u>	<u>-</u>	<u>3,067</u>
Total Earnings	167,325	6,743	-	174,068
Less: Investment Expense	-	-	-	-
Net Investment Earnings	<u>167,325</u>	<u>6,743</u>	<u>-</u>	<u>174,068</u>
Total Additions	<u>222,186</u>	<u>9,449</u>	<u>39,582</u>	<u>271,217</u>
Deductions				
Benefits	81,705	-	-	81,705
Administrative expenses	15,955	5,004	-	20,959
Escrow disbursements	-	-	94,919	94,919
Total Deductions	<u>97,660</u>	<u>5,004</u>	<u>94,919</u>	<u>197,583</u>
Change in Net Position	124,526	4,445	(55,337)	73,634
Net Position Restricted :				
Beginning of Year, restated	<u>1,279,473</u>	<u>44,749</u>	<u>379,052</u>	<u>1,703,274</u>
End of Year	<u>\$ 1,403,999</u>	<u>\$ 49,194</u>	<u>\$ 323,715</u>	<u>\$ 1,776,908</u>

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies

A. Reporting entity

Worcester 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. Based upon the application of these criteria, there are currently no component units of Worcester Township.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

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

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

Property taxes, franchise taxes, 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 revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds on the governmental fund financial statements:

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

The *capital reserve fund* accounts for capital purchases and construction to enhance and improve the property throughout the Township.

The government reports the following major proprietary funds:

The *sewage treatment fund* provides wastewater treatment services throughout the Township.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

Additionally, the government reports the following fiduciary fund types:

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

As required by GASB No. 84, the Township created a new fiduciary fund in 2021 and adjusted opening net position by \$379,052. *The custodial fund* held by the Township is used to account for assets held on behalf of individuals and developers. The Township has one custodial fund consisting of escrows.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer treatment fund and are charges to customers for services.

The sewer treatment fund also recognizes as operating revenues the portion of tapping fees intended to recover the cost of system design, permitting, and construction. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of collateralized mortgage obligations, U.S. Treasury obligation, and money market mutual funds. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area savings accounts rates is minimal.

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

1. Deposits and investments (continued)

Fair Value Measurements: The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
GOVERNMENTAL FUNDS				
Externally Pooled Investments	<u>\$ 16,138,311</u>	<u>\$ -</u>	<u>\$ 16,138,311</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
FIDUCIARY FUNDS				
PSAB Municipal Retirement Trust-Balanced Fund	<u>\$ 1,795,426</u>	<u>\$ -</u>	<u>\$ 1,795,426</u>	<u>\$ -</u>

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 non-current 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 fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectible amounts. At December 31, 2021, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

2. Receivables and payables (continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after June 30. The township employs an elected tax collector to collect the property tax levied. The tax collector remits Township taxes at least monthly and is paid a commission. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

3. Use of estimates

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 for infrastructure and intangible assets and \$5,000 for all other capital assets, with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

4. Capital assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized as the standard was applied prospectively.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building and land improvements	7-30
Roads and bridges	30-50
Guiderails, manholes, and curbing	20-30
Storm sewer pipes	50
Sewer pipes	50
Utility and heavy equipment	10-18
Vehicles and equipment	5-15
Signs and traffic signals	7-15

5. Long-term obligations

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

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has the following item that qualifies for reporting in this category:

Change in assumptions is reported in the government-wide statement. A difference results when assumptions used to prepare the actuarial valuation of the pension plan changes. These amounts are deferred and recognized in the period that the amounts become available.

Differences between expected and actual experience on pension plan liability is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized in the period that the amounts become available.

Net difference between projected and actual earnings on pension plan investments is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five-year period.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

7. Net position

In the government-wide financial statements, net position is classified in the following categories:

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net investment in capital assets		
Capital assets not being depreciated	\$ 5,521,725	\$ -
Capital assets being depreciated, net of accumulated depreciation	7,858,986	4,121,789
Less: Long-term debt outstanding	-	(1,840,000)
	<u>\$ 13,380,711</u>	<u>\$ 2,281,789</u>

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

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

8. Fund balance

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

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

8. *Fund balance (continued)*

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

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

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

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

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

9. New Accounting Pronouncements

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

10. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. Subsequent to year end, the Township expects to receive additional funding under the American Rescue Plan Act in the amount of \$545,850. No other subsequent events required adjustment to or disclosure in the financial statements.

II. Stewardship, compliance, and accountability

A. Budgetary information

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

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.
2. All budget revisions require the approval of the Township Board of Supervisors. All appropriations lapse at year-end.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds. Budgetary control is maintained at the fund level.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

II. Stewardship, compliance, and accountability (Continued)

B. Excess of expenditures over appropriations

For the year ended December 31, 2021 expenditures exceeded appropriations in general government category of the general fund by \$34,824. These over expenditures were funded by greater than anticipated revenues.

III. Detailed notes on all funds

A. Deposits and investments

As of December 31, 2021, the government had the following investments:

	<u>Maturities</u>	
GOVERNMENTAL FUNDS		
Externally Pooled Investments	1 day	\$ <u>16,138,311</u>
FIDUCIARY FUNDS		
PSAB Municipal Retirement Trust-Balanced Fund	N/A	\$ <u>1,471,711</u>

Interest Rate Risk. This is the risk that changes in interest will adversely affect the fair value of an investment. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section I Note D. The government's investment in the external investment pools was rated AAAM by Standard & Poor's.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the government's policy that the fiduciary assets may not be invested in more than 5% of the total equity portfolio in the common stock of one corporation and not more than 25% of the stock value at market may be held in any one industry.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2021, the government's bank balance was \$17,585,540. Of the bank balance, \$324,351 was covered by federal depository insurance and \$16,138,311 was invested in externally pooled investments, which are not subject to credit risk. Any balances exceeding federal depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. Externally pooled investments are considered a cash equivalent.

The Township's cash equivalent investments in PLGIT and money markets are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments are "held in the name of the government" and thus not exposed to custodial credit risk.

B. *Receivables*

Receivables as of year-end for the government's funds are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Capital Reserve</u>	<u>Total</u>
Receivables:				
Taxes	\$ 709,745	\$ -	\$ -	\$ 709,745
Accounts	85,253	178,493	23,222	286,968
Notes	-	397,797	-	397,797
Total Receivables	<u>\$ 794,998</u>	<u>\$ 576,290</u>	<u>\$ 23,222</u>	<u>\$ 1,394,510</u>

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

C. *Capital assets*

Capital asset activity for the year ended December 31, 2021 was as follows:

Primary Government	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,871,637	\$ -	\$ -	\$ 4,871,637
Easements	642,588	7,500	-	650,088
Total capital assets, not being depreciated	<u>5,514,225</u>	<u>7,500</u>	<u>-</u>	<u>5,521,725</u>
Capital assets, being depreciated:				
Buildings and improvements	3,056,863	58,545	-	3,115,408
Land improvements	1,457,404	-	-	1,457,404
Infrastructure	6,022,162	425,653	-	6,447,815
Traffic signal	465,702	-	-	465,702
Office equipment	127,922	-	-	127,922
Equipment	545,830	156,008	-	701,838
Vehicles	764,792	39,688	28,971	775,509
Total capital assets being depreciated	<u>12,440,675</u>	<u>679,894</u>	<u>28,971</u>	<u>13,091,598</u>
Less accumulated depreciation for:				
Buildings and improvements	1,419,678	98,105	-	1,517,783
Land improvements	886,722	88,693	-	975,415
Infrastructure	1,311,352	173,495	-	1,484,847
Traffic signal	194,266	26,413	-	220,679
Office equipment	100,729	8,756	-	109,485
Equipment	397,588	85,776	-	483,364
Vehicles	402,482	67,528	28,971	441,039
Total accumulated depreciation	<u>4,712,817</u>	<u>548,766</u>	<u>28,971</u>	<u>5,232,612</u>
Total capital assets, being depreciated, net	<u>7,727,858</u>	<u>131,128</u>	<u>-</u>	<u>7,858,986</u>
Governmental activities capital assets, net	<u>\$ 13,242,083</u>	<u>\$ 138,628</u>	<u>\$ -</u>	<u>\$ 13,380,711</u>

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

C. *Capital assets (continued)*

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 3,483,147	\$ -	\$ -	\$ 3,483,147
Improvements	4,387,393	-	-	4,387,393
Machinery and equipment	686,813	-	-	686,813
Total capital assets being depreciated	<u>8,557,353</u>	<u>-</u>	<u>-</u>	<u>8,557,353</u>
Less accumulated depreciation for:				
Buildings	1,287,101	116,105	-	1,403,206
Improvements	2,333,588	145,708	-	2,479,296
Machinery and equipment	524,885	28,177	-	553,062
Total accumulated depreciation	<u>4,145,574</u>	<u>289,990</u>	<u>-</u>	<u>4,435,564</u>
Total capital assets, being depreciated, net	<u>4,411,779</u>	<u>(289,990)</u>	<u>-</u>	<u>4,121,789</u>
Business-type activities capital assets, net	<u>\$ 4,411,779</u>	<u>\$ (289,990)</u>	<u>\$ -</u>	<u>\$ 4,121,789</u>

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

Governmental activities:	
Administrative	\$ 47,851
Public works	396,502
Parks and Recreation	104,413
Total depreciation expense-governmental activities	<u>\$ 548,766</u>
Business-type activities	
Sewage treatment	<u>\$ 289,990</u>

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

The interfund balances and transfers for the year ended December 31, 2021 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ -	\$ 2,701
Sewage treatment fund	<u>2,701</u>	<u>-</u>
Total	<u>\$ 2,701</u>	<u>\$ 2,701</u>

Interfund balances represent expenses paid for one fund on behalf of another.

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	\$ -	\$ 2,174,312
Capital reserve	<u>2,174,312</u>	<u>-</u>
Total	<u>\$ 2,174,312</u>	<u>\$ 2,174,312</u>

Interfund transfers are primarily to fund capital projects in another fund.

E. Long term debt

General Obligation Notes and Bonds

The government issues general obligation notes and bonds to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes and bonds have been issued for the governmental activities only. In 2016, the government issued \$2,495,000 in a general obligation bonds. General obligation notes and bonds are direct obligations and pledge the full faith and credit of the government. These notes and bonds are generally issued as 20-30 year serial notes and bonds with varying amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business activities	2-3%	<u>\$ 1,840,000</u>

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

E. Long term debt (continued)

The annual debt service requirements to maturity, including principal and interest, for long term debt, as of December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>		
2022	\$ 130,000	\$ 40,001		
2023	130,000	38,376		
2024	135,000	36,556		
2025	135,000	33,856		
2026	135,000	31,156		
2027-2031	750,000	110,658		
2032-2036	270,000	38,900		
2037-2041	155,000	14,250		
	<u>\$ 1,840,000</u>	<u>\$ 343,753</u>		

Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Business Type activities:					
Bonds payable	\$ 1,970,000	\$ -	\$ 130,000	\$ 1,840,000	\$ 130,000

Debt service for debt payments are funded primarily from taxes for governmental activities. Any liabilities for net pension obligations are generally liquidated by the general fund for governmental activities.

IV. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Township participates in the Delaware Valley Property & Liability Trust pool. The insurance expense for the year ended December 31, 2021 was \$41,765.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

A. Risk management (continued)

The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2021 there were no additional assessments due or anticipated. Instead, the pool declared a dividend of which Worcester Township's share was \$1,065.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (D VWCT), a risk retention pool. The insurance expense for the year ended December 31, 2021 was \$25,901. The Trust declared a dividend in 2021 of which the Township's share was \$1,113. An audit of the 2021 payroll will be performed in 2021.

The Township is also a member of the Delaware Valley Health Trust, a public entity risk pool operated for the benefit of approximately 30 municipalities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 written notice to the Executive Committee. The insurance expense for the year ended December 31, 2021 was \$201,878. There were no additional assessments due or anticipated. The Trust did not declare a dividend.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world to date has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Township is unable to determine the extent to which this will materially impact its operations.

B. 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 government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township. At the present time, there are no significant litigation matters pending.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan

Plan Description and Membership

The Township of Worcester Non-Uniformed Pension plan is a single-employer defined benefit pension. The Plan was established and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT) effective January 1, 1993. The Plan was restated by Ordinance No. 2003-187, effective December 31, 2002. This Plan is reported as a Pension Trust Fund in the accompanying financial statements and does not issue stand-alone reports. The Plan is administered by the Township. The most recent valuation was as of January 1, 2021. Details below are from the valuation.

Effective January 1, 2017, the Plan was amended and closed to new participants.

Non-Uniformed Employees' Defined Benefit Pension Plan - The Plan is a contributory, single employer defined benefit plan that covers all full-time non-uniformed employees who were hired before January 1, 2019.

The Plans are governed by the Board of Supervisors of the Township of Worcester which may amend the plan provisions, and which is responsible for the management of Plan assets. The Board of Supervisors has delegated authority to manage certain Plan assets to the PSABMRT. The Plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC).

At December 31, 2021, Worcester Township's Pension Plans consisted of the following:

	Defined <u>Benefit</u>	Defined <u>Contribution</u>
Inactive employees (or their beneficiaries)		
currently receiving benefits	11	0
Inactive employees entitled to benefits		
but not yet receiving them	3	2
Active employees	<u>4</u>	<u>8</u>
Total members	<u>18</u>	<u>10</u>

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan (continued)

Benefits Provided

The Plan provides retirement benefits as well as death benefits to plan members and their beneficiaries. Compensation is averaged over the last 60 months of employment. Pennsylvania law establishes benefits and contribution provisions. All benefits are vested 20% after the completion of three years of services, increasing by 20% per year to a maximum of 100% percent after seven years of service. Participants as of September 1, 1993 were 100% vested. Employees, who retire at or after age 65, are entitled to an annual retirement benefit, payable monthly, equal to 1.3 percent of Average Monthly Compensation multiplied by Years of Credited Service after January 1, 1993.

A member is eligible for early retirement after attainment of age 62 and completion of 7 years of service. The early retirement pension is the actuarial equivalent of the member's accrued benefit payable at normal retirement. A death benefit before retirement, after vesting is equal to 50% of the joint and survivor benefit that would have been payable to the participant, assuming the participant had retired or terminated the day before death. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Measurement Focus and Basis of Accounting

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

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan (continued)

Method Used to Value Investments: Pension Plan equity security fixed income securities are reported at fair value, investment income is recognized as earned. Fair value is based on quoted market values. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions

Members are not required to contribute to the plan. Contributions are determined on an annual basis. Administrative costs and investment costs of the Plan are financed through an addition to the Actuarially Determined Employer Contribution.

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

The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

Administrative costs, which may include but are not limited to investment fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the Plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$ 57,567 for the pensions for the year ended December 31, 2021.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. *Employee retirement pension plan (continued)*

Investments

Investment Policy: The Plan's investment policy has been delegated to the PASBMRT in regards to allocation to the invested Plan assets. The PSABMRT provides 2 investment options – the Balanced Fund and the Fixed Income Fund. The Balanced Fund's investment policy established the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Growth	12%
US Large Cap Value	12%
US Large Cap Core	13%
US Small & Mid Cap Equity	8%
International Equity	15%
Fixed Income	33%
Private Real Estate	7%
Cash	0%
Expected Real Rate of Return - 4.2%. Excludes an inflation expectation of 2.5%	
Long-term Expected Rate of Return, including inflation - 6.7%	

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021, all plan assets were invested in the PSABMRT General Balanced Fund, which is not rated. However, the formal investment policy of the PSABMRT requires fixed income securities within the portfolio to be rated BBB or higher at the time of purchase, and requires any asset-backed or mortgage-backed securities within the portfolio to be rated AAA at the time of purchase.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2021 the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk: This is the risk that a change in interest rates will adversely affect the fair value of an investment. For the General Balanced Fund, the policy states shall be broadly diversified by maturity with a maximum effective maturity of any single security not to exceed 40 years.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan (continued)

Rate of Return: For the year ended December 31, 2021, the annual money-weighted rate of return on Plan investments, net of investment expense was 13.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2021 were as follows:

Total pension liability	\$ 1,174,014
Plan fiduciary net position	<u>(1,403,998)</u>
Net pension liability (asset)	<u>\$ (229,984)</u>
Plan fiduciary net position as a percentage of the total pension liability	120%

Actuarial Assumptions: The total pension liability in the January 1, 2021 actuarial valuation for the Plan was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.00% (including inflation)
Investment rate of return	6.25%

Mortality rates were based on the RP-2014 Mortality Table with 50% Blue Collar Adjustment and projected improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration Trustee Report.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2020.

The net pension liability for the Plan was measured as of December 31, 2021 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan (continued)

Net Pension Liability (continued)

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.

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer 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.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. *Employee retirement pension plan (continued)*

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Non-Uniformed Defined Benefit Pension Plan</u>			
Balance at December 31, 2020	\$ 1,243,522	\$ 1,279,473	\$ (35,951)
Changes for the year:			
Service cost	29,530	-	29,530
Interest	71,463	-	71,463
Change of benefit terms	-	-	-
Differences between expected and actual experience	(134,264)	-	(134,264)
Change of assumptions	45,468	-	45,468
Contributions - employer	-	54,861	(54,861)
Contributions - employee	-	-	-
Net investment income	-	167,324	(167,324)
Benefit payments, including refunds of employee contributions	(81,705)	(81,705)	-
Administrative expense	-	(15,955)	15,955
Other changes	-	-	-
Net Changes	<u>(69,508)</u>	<u>124,525</u>	<u>(194,033)</u>
Balance at December 31, 2021	<u>\$ 1,174,014</u>	<u>\$ 1,403,998</u>	<u>\$ (229,984)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Discount Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
Net pension liability	\$ (102,513)	\$ (229,984)	\$ (337,646)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2021, the Township recognized pension expense of (\$35,453) for the Non-Uniformed Defined Benefit Pension Plan.

WORCESTER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan (continued)

At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Non-Uniform Defined Benefit Pension</u>		
Differences between expected and actual experience	\$ -	\$ 210,820
Changes in assumptions	112,484	-
Difference between projected and actual earnings on pension plan investments	-	111,477
Total	\$ 112,484	\$ 322,297

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

<u>Year Ended December 31:</u>	<u>Non-Uniform</u>
2022	\$ (61,480)
2023	(87,205)
2024	(63,055)
2025	(19,896)
2026	5,624
Thereafter	16,199
Total	\$ (209,813)

Payable to the Pension Plan: For the year ended December 31, 2021, there was no amount payable for contributions to the pension plan.

Description of Defined-Contribution Plan

Effective January 1, 2017, the Township created a defined contribution pension plan. The Pension Plan is a money purchase plan which covers all non-uniform employees employed by the Township and work 35 hours or more per week and are not covered by any other retirement plans to which the Township makes contributions.

WORCESTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

C. Employee retirement pension plan (continued)

Description of Defined-Contribution Plan (continued)

During 2021, there were 8 active participants in the plan. Participants are 20% vested after three years of service, and the vesting increases 20% for each additional year. After seven years of service, the person is fully vested. The 2021 contribution to the plan was 5% of each participant's base salary and was funded by the Township. The Plan is managed by an outside trustee appointed by the Township. For 2021, the township contributed \$2,706 to the plan. The participants are not required but may make voluntary contributions.

The Non-Uniform Pension Plan's funding policy is based on a set rate and benefits are a function of accumulated assets. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund.

This plan is part of the Non-Uniformed Employees' Pension Plan. It is reported as a Pension Trust Fund in the accompanying financial statements. Pension Plan Financial Statements are prepared using the accrual basis of accounting. Employee and Employer contributions are recognized as revenue in the period in which employee services are performed. Investment are reported at fair value and investment income is recognized when earned. Gains and losses on sales and exchanges are recognized on the transaction date. The net appreciation/(depreciation) in fair value of investments is recorded as and increase/(decrease) to investment income.

D. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2021, \$372,307 represents the balance of these monies held in escrow.

REQUIRED SUPPLEMENTAL INFORMATION

WORCESTER TOWNSHIP

Required Supplemental Information – Non-Uniformed Defined Benefit Pension Plan

DECEMBER 31, 2021

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 29,530	\$ 35,337	\$ 33,654	\$ 54,019
Interest	71,463	81,309	79,090	85,510
Changes of benefit terms	-	-	-	1,422
Differences between expected and actual experience	(134,264)	-	(139,807)	-
Changes of assumptions	45,468	-	-	-
Benefit payments, including refunds of employee contributions	<u>(81,705)</u>	<u>(84,721)</u>	<u>(77,145)</u>	<u>(71,861)</u>
Net change in total pension liability	(69,508)	31,925	(104,208)	69,090
Total pension liability - beginning	<u>1,243,522</u>	<u>1,211,597</u>	<u>1,315,805</u>	<u>1,246,715</u>
Total pension liability - ending (a)	<u>\$ 1,174,014</u>	<u>\$ 1,243,522</u>	<u>\$ 1,211,597</u>	<u>\$ 1,315,805</u>
Plan fiduciary net position				
Contributions - employer	\$ 54,861	\$ 49,491	\$ 51,205	\$ 55,699
Contributions - employee	-	-	-	-
Net investment income	167,324	120,777	171,032	(53,165)
Benefit payments, including refunds of employee contributions	(81,705)	(84,721)	(77,145)	(71,861)
Administrative expense	(15,955)	(8,974)	(8,861)	(8,411)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	124,525	76,573	136,231	(77,738)
Plan fiduciary net position - beginning	<u>1,279,473</u>	<u>1,202,900</u>	<u>1,066,669</u>	<u>1,144,407</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,403,998</u>	<u>\$ 1,279,473</u>	<u>\$ 1,202,900</u>	<u>\$ 1,066,669</u>
Township's net pension liability - ending (a)-(b)	<u>\$ (229,984)</u>	<u>\$ (35,951)</u>	<u>\$ 8,697</u>	<u>\$ 249,136</u>
Plan fiduciary net position as a percentage of the total pension liability	119.6%	102.9%	99.3%	81.1%
Covered-employee payroll	\$ 245,334	\$ 274,541	\$ 300,349	\$ 339,640
Township's net pension liability as a percentage of covered-employee payroll	-93.7%	-13.1%	2.9%	73.4%
Annual money-weighted rate of return, net of investment expense	13.08%	10.04%	16.01%	-4.76%

Notes to Schedule:

Assumption Changes - In 2017, the interest rate assumption was lowered from 7.5% to 7.25%, the mortality assumption was changed from Blue Collar RP-2000 projected with mortality improvements using 75% of Scale AA to RP-2014 with improvement rates from Long Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. In 2021, the interest rate assumption was lowered from 6.75% to 6.25% per annum and the mortality assumption was changed from RP-2014 with improvement rates from Long Ranges Demographic Assumptions for the 2015 Social Security Administration's Trustee Report to the PubG-2010 projected 5 years past 2021 valuations date using MP-2020

Benefit change - In 2017, the pre-retirement death benefit was amended and a defined contribution plan was created for participants hired on or after 1/1/2017.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	51,271	\$ 46,863	\$ 44,631	\$ 77,873
	81,082	75,538	70,045	127,810
	-	-	-	-
	(46,304)	-	(27,499)	-
	132,923	-	-	-
	<u>(70,033)</u>	<u>(38,668)</u>	<u>(43,520)</u>	<u>(52,739)</u>
	148,939	83,733	43,657	152,944
	<u>1,097,776</u>	<u>1,014,043</u>	<u>970,386</u>	<u>817,442</u>
\$	<u>1,246,715</u>	<u>\$ 1,097,776</u>	<u>\$ 1,014,043</u>	<u>\$ 970,386</u>
\$	51,306	\$ 56,870	\$ 54,892	\$ 54,249
	-	-	-	-
	134,278	45,890	(6,832)	48,764
	(70,033)	(38,668)	(43,520)	(29,606)
	(16,242)	(11,167)	(13,738)	(1,475)
	-	-	-	-
	<u>99,309</u>	<u>52,925</u>	<u>(9,198)</u>	<u>71,932</u>
	<u>1,045,098</u>	<u>992,173</u>	<u>1,001,371</u>	<u>929,439</u>
\$	<u>1,144,407</u>	<u>\$ 1,045,098</u>	<u>\$ 992,173</u>	<u>\$ 1,001,371</u>
\$	<u>102,308</u>	<u>\$ 52,678</u>	<u>\$ 21,870</u>	<u>\$ (30,985)</u>
	91.8%	95.2%	97.8%	103.2%
\$	327,069	\$ 630,663	\$ 674,180	\$ 587,864
	31.3%	8.4%	3.2%	-5.3%
	13.24%	4.67%	-0.69%	6.13%

WORCESTER TOWNSHIP

Required Supplemental Information – Non-Uniformed Pension Plan

DECEMBER 31, 2021

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal year</u> <u>Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage of</u> <u>Covered Payroll</u>
2012	\$ 50,145	\$ 59,782	\$ (9,637)	\$ 585,787	(1) 10.2%
2013	59,782	59,782	-	572,356	(1) 10.4%
2014	54,249	54,249	-	587,864	9.2%
2015	50,845	54,892	(4,047)	674,180	8.1%
2016	51,984	56,870	(4,886)	630,663	9.0%
2017	49,494	51,306	(1,812)	327,069	15.7%
2018	52,571	55,699	(3,128)	339,640	16.4%
2019	49,557	51,205	(1,648)	330,349	15.5%
2020	49,491	49,491	-	274,541	18.0%
2021	48,941	54,861	(5,920)	245,334	22.4%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar - open
Remaining amortization period	13 years
Asset valuation method	5 Year Smoothing
Inflation	2.75%
Salary increases	5% (including inflation)
Investment rate of return	6.75% (net of investment expenses not funded through the MMO, and including inflation)
Retirement age	The latest of age 65, the completion of 5 years of participation or attained age.
Mortality	RP-2014 Combined Mortality Table and projected improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report

Benefit Changes: Effective 1/1/17, the pre-retirement death benefit provisions was amended so that the spouse of a married participant or the beneficiary of single participant may elect a survivor benefit of either the actuarially reduced joint and a 50% survivor annuity or the actuarially reduced 10-years certain and continuous optional form.

Also, a defined contribution plan was created for eligible participants hired on or after 1/1/17.

Assumption Changes: Interest rate lowered from 7.25% to 6.75%, mortality updated from RP-2000 Combined Health Mortality with Blue Collar adj. and 75% scale AA to RP-2014 mortality with 50% Blue Collar adjustment and projected improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.

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

This schedule is presented to illustrate the requirement to show information for 10 years.

