



Easttown Township Devon, Pennsylvania Chester County

Financial Statements
Year Ended December 31, 2020



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EASTTOWN TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

**Board of Supervisors
Easttown Township
Devon, Pennsylvania**

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Report on Summarized Comparative Information

The financial statements of Easttown Township as of and for the year ended December 31, 2019, were audited by other auditors whose report dated April 22, 2020 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund and the schedules of changes in net pension liability and Township pension contributions and the schedule of changes in net OPEB liability on pages 3 through 12 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of Easttown Township, Devon, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easttown Township, Devon, Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
April 30, 2021**

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

Management's discussion and analysis ("**MD&A**") of the financial performance of Easttown Township, Devon, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2020. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

The Township was established in 1704 and operates as a Township of a second class under the Township Code of Pennsylvania which is governed by an elected five-member Board of Supervisors. The Township is located in Chester County, Pennsylvania. The Township's 8.2 square miles encompasses the towns of Devon and Berwyn. From these areas the community provides a safe, productive and prosperous environment in which to reside, raise a family and conduct business. With the City of Philadelphia situated to the east and easy access to the Pennsylvania Turnpike, Interstate 476 and the Route 202 and Route 422 corridors, Easttown Township is poised for continued stable economic growth.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business-type activities, the assets and deferred outflows of resources of the Township exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2020 fiscal year of \$1,207,993. During the 2020 fiscal year, the Township had a decrease in total net position of \$707,152. The net position of the governmental activities increased by \$119,640 and net position of business-type activities decreased by \$826,792.
- As of the close of the 2020 fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,950,939, an increase of \$209,279 in comparison with the prior year.
- The General Fund reported a decrease in fund balance of \$99,016, bringing the cumulative balance to \$1,407,250 or 20.85% of total General Fund expenditures at the conclusion of the 2020 fiscal year.
- General Fund revenues were \$65,040 or 0.99% more than budgeted amounts and General Fund expenditures were \$164,056 or 2.49% more than budgeted amounts resulting in a net negative variance of \$99,016.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Chester County, Pennsylvania for what was an extended period of time. Future potential impacts included the disruption of Township services and the impairment of the ability to generate revenues. The future effects of these issues are unknown.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position – Modified Cash Basis presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Township is improving or deteriorating. To assess the Township's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Township's tax base and the condition of the Township's assets.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

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

The government-wide financial statements distinguish the functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the Township's activities are divided into two categories:

Governmental Activities

Most of the Township's basic services are included here, such as general administration, public safety, public works and culture and recreation.

Business-type Activities

The Township's business-type activities charge a fee to customers to help cover all or most of the cost of certain services it provides. The Township's solid waste and sewer activities are reported as business-type activities. The Township also includes a separate legal entity in its report – Easttown Municipal Authority (the "**Municipal Authority**"). The Municipal Authority exists to provide facilities for use in the sewer operations of the Township. The Municipal Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Municipal Authority is important because the Township is financially accountable for it, and therefore, it has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13 and 14 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds – Modified Cash Basis and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Modified Cash Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains five individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of the five major funds.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

The governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary Funds

The Township maintains one type of proprietary fund. All of the Township's proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for the Solid Waste Fund, Sewer Revenue Fund and the Municipal Authority Fund.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary Funds

The Township is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are not reflected in the government-wide 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. The Township has two pension trust funds (Uniform and Nonuniform).

The fiduciary fund financial statements can be found on pages 22 and 23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 24 through 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund and schedules concerning the Township's net pension liability and pension contributions, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 46 through 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2020 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,207,993. The following table presents condensed information for the *Statement of Net Position – Modified Cash Basis* of the Township at December 31, 2020 and 2019.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
ASSETS						
Current assets	\$ 3,391,865	\$ 3,114,449	\$ 9,228,312	\$ 7,558,267	\$12,620,177	\$10,672,716
Noncurrent assets	<u>7,380,875</u>	<u>7,657,347</u>	<u>12,205,521</u>	<u>11,743,222</u>	<u>19,586,396</u>	<u>19,400,569</u>
Total assets	<u>10,772,740</u>	<u>10,771,796</u>	<u>21,433,833</u>	<u>19,301,489</u>	<u>32,206,573</u>	<u>30,073,285</u>
DEFERRED OUTFLOWS	<u>1,226,059</u>	<u>835,377</u>	<u>159,704</u>	<u>266,005</u>	<u>1,385,763</u>	<u>1,101,382</u>
LIABILITIES						
Current liabilities	440,926	372,789	-	-	440,926	372,789
Noncurrent liabilities	<u>11,117,041</u>	<u>11,943,060</u>	<u>18,187,825</u>	<u>15,334,990</u>	<u>29,304,866</u>	<u>27,278,050</u>
Total liabilities	<u>11,557,967</u>	<u>12,315,849</u>	<u>18,187,825</u>	<u>15,334,990</u>	<u>29,745,792</u>	<u>27,650,839</u>
DEFERRED INFLOWS	<u>2,638,551</u>	<u>1,608,683</u>	<u>-</u>	<u>-</u>	<u>2,638,551</u>	<u>1,608,683</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	4,725,875	4,754,766	(662,077)	(1,909,094)	4,063,798	2,845,672
Restricted	1,543,689	1,235,394	-	-	1,543,689	1,235,394
Unrestricted (deficit)	<u>(8,467,283)</u>	<u>(8,307,519)</u>	<u>4,067,789</u>	<u>6,141,598</u>	<u>(4,399,494)</u>	<u>(2,165,921)</u>
Total net position (deficit)	<u>\$ (2,197,719)</u>	<u>\$ (2,317,359)</u>	<u>\$ 3,405,712</u>	<u>\$ 4,232,504</u>	<u>\$ 1,207,993</u>	<u>\$ 1,915,145</u>

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

The Township's total assets as of December 31, 2020 were \$32,206,573 of which \$11,828,559 or 36.73% consisted of cash and equivalents and \$19,586,396 or 60.81% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2020 were \$29,745,792 of which \$20,842,825 or 70.07% consisted of general obligation debt used to acquire and construct capital assets.

The Township had a deficit in unrestricted net position of \$4,399,494 at December 31, 2020. The Township's unrestricted net position decreased by \$2,233,573 during 2020 primarily due to the results of current year operations and the current year change in its net investment in capital assets.

A portion of the Township's net position reflects its restricted net position which totaled \$1,543,689 as of December 31, 2020. All of the Township's restricted net position relate to the net position of the Township's capital, highway aid, library, and parks and recreation funds.

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2020, the Township's net investment in capital assets increased by \$1,218,126 primarily because the Municipal Authority's debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated.

The following table presents condensed information for the *Statement of Activities – Modified Cash Basis* of the Township for 2020 and 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES						
Program revenues						
Charges for services	\$1,187,911	\$1,230,422	\$4,164,647	\$3,900,443	\$5,352,558	\$5,130,865
Operating grants and contributions	886,638	728,682	42,158	32,330	928,796	761,012
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Taxes	6,222,252	6,187,093	-	-	6,222,252	6,187,093
Revenue not restricted	24,790	361,397	-	-	24,790	361,397
Licenses and permits	295,031	268,230	-	-	295,031	268,230
Fines and forfeitures	33,258	43,929	-	-	33,258	43,929
Investment earnings	19,041	71,409	39,656	132,103	58,697	203,512
Loss on sale of capital assets	-	(573)	-	-	-	(573)
Total revenues	<u>8,668,921</u>	<u>8,890,589</u>	<u>4,246,461</u>	<u>4,064,876</u>	<u>12,915,382</u>	<u>12,955,465</u>
EXPENSES						
General government	951,160	856,688	-	-	951,160	856,688
Public safety	5,961,405	5,970,515	-	-	5,961,405	5,970,515
Public works	718,529	1,137,153	-	-	718,529	1,137,153
Culture and recreation	748,270	815,954	-	-	748,270	815,954
Interest and amortization expense related to noncurrent liabilities	88,496	81,545	-	-	88,496	81,545
Solid waste operations	-	-	1,266,897	1,240,910	1,266,897	1,240,910
Sewer operations	-	-	3,887,777	4,051,229	3,887,777	4,051,229
Total expenses	<u>8,467,860</u>	<u>8,861,855</u>	<u>5,154,674</u>	<u>5,292,139</u>	<u>13,622,534</u>	<u>14,153,994</u>
Change in net position before transfers	201,061	28,734	(908,213)	(1,227,263)	(707,152)	(1,198,529)
TRANSFERS	<u>(81,421)</u>	<u>(223,675)</u>	<u>81,421</u>	<u>223,675</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 119,640</u>	<u>\$ (194,941)</u>	<u>\$ (826,792)</u>	<u>\$ (1,003,588)</u>	<u>\$ (707,152)</u>	<u>\$ (1,198,529)</u>

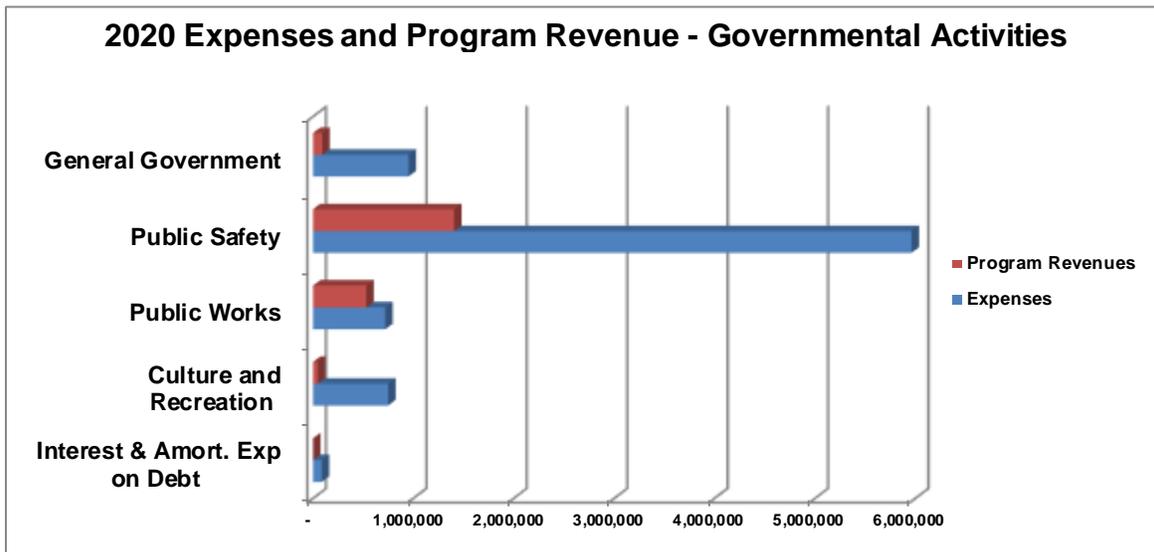
EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

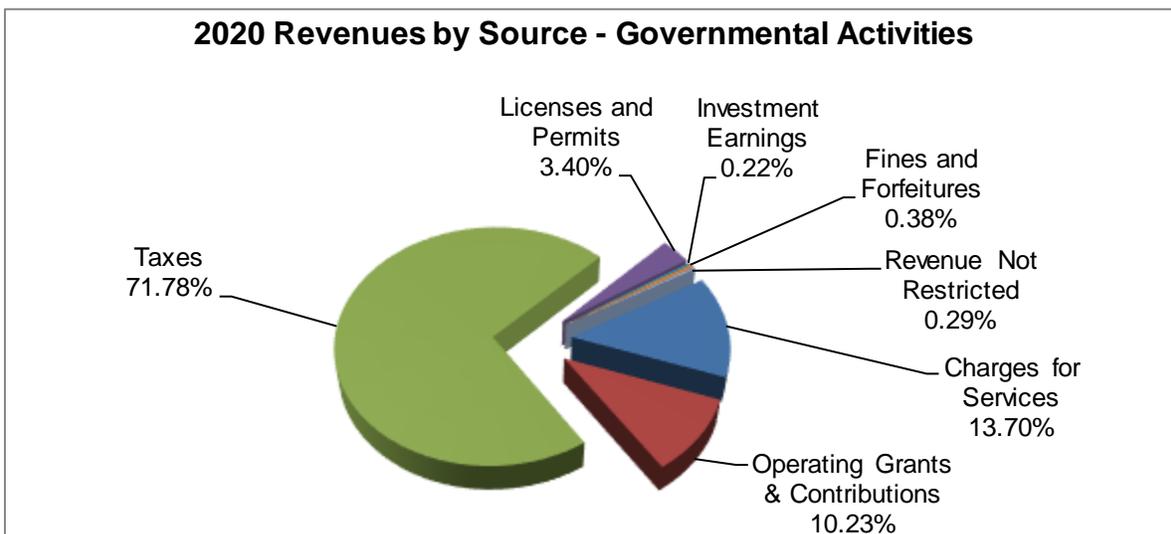
December 31, 2020

Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and residential and commercial development and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Township continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

The *Statement of Activities – Modified Cash Basis* provides detail that focuses on how the Township finances its services. The *Statement of Activities – Modified Cash Basis* compares the costs of the Township functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the Township's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the Township's functions or programs cost more than they raise, the Statement of Activities shows how the Township chose to finance the difference through general revenues. The following chart shows that the Township relies on tax revenues to finance its governmental activities.



EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

GOVERNMENTAL FUNDS

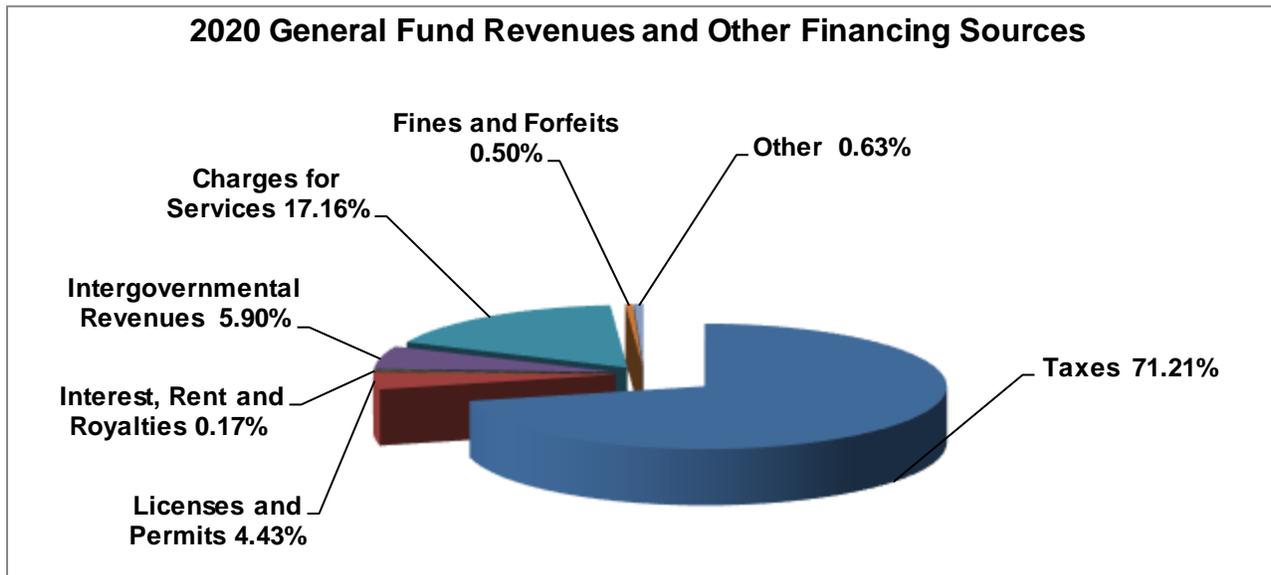
The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2020, the Township's governmental funds reported a combined fund balance of \$2,950,939 which is an increase of \$209,279 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2020 and 2019 and the total 2020 change in governmental fund balances.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>
General Fund	\$1,407,250	\$1,506,266	\$ (99,016)
Capital Projects Fund	1,031,666	868,034	163,632
Highway Aid Fund	310,748	177,184	133,564
Library Fund	156,717	145,036	11,681
Parks and Recreation Fund	<u>44,558</u>	<u>45,140</u>	<u>(582)</u>
	<u>\$2,950,939</u>	<u>\$2,741,660</u>	<u>\$209,279</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2020 fiscal year the General Fund fund balance was \$1,407,250 representing a decrease of \$99,016 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 71.21% of General Fund revenues are derived from local taxes.



EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

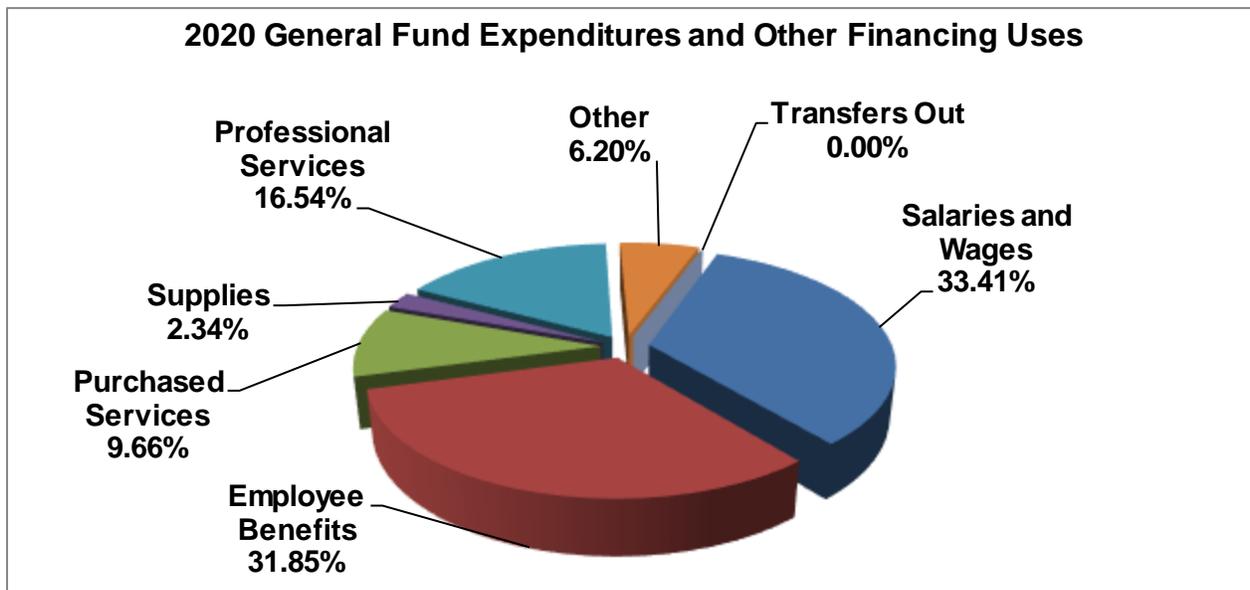
December 31, 2020

General Fund Revenues and Other Financing Sources

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$4,735,726	\$4,508,099	\$227,627	5.05
Licenses and permits	295,031	268,230	26,801	9.99
Interest, rents and royalties	11,159	43,980	(32,821)	(74.63)
Intergovernmental revenues	392,276	430,183	(37,907)	(8.81)
Charges for services	1,141,111	1,139,894	1,217	0.11
Fines and forfeits	33,258	43,929	(10,671)	(24.29)
Other	<u>41,861</u>	<u>33,219</u>	<u>8,642</u>	<u>26.02</u>
	<u>\$6,650,422</u>	<u>\$6,467,534</u>	<u>\$182,888</u>	<u>2.83</u>

Taxes increased by \$227,627 or 5.05% primarily due to an increase in real estate tax collections and property assessed value in 2020 compared to 2019.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The Township is a service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$2,254,963	\$2,314,664	\$ (59,701)	(2.58)
Employee benefits	2,149,467	2,158,807	(9,340)	(0.43)
Supplies	158,170	169,636	(11,466)	(6.76)
Purchased services	652,204	598,437	53,767	8.98
Professional services	1,116,240	678,583	437,657	64.50
Other	418,394	377,903	40,491	10.71
Transfers out	<u>-</u>	<u>329,620</u>	<u>(329,620)</u>	<u>(100.00)</u>
	<u>\$6,749,438</u>	<u>\$6,627,650</u>	<u>\$ 121,788</u>	<u>1.84</u>

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

Salaries and wages decreased by \$59,701 or 2.58% primarily as a result of impact of the cancellation of the Devon Horse Show and Dressage events associated with lower than expected overtime cost related to police and public works employees.

Purchased services increased by \$53,657 or 8.98% as a result of higher costs in 2020 primarily due to unexpected costs associated with COVID-19.

Professional services increased by \$437,657 or 64.5% as a result of higher cost associated with certain legal issues which emerged in 2020, additional engineering and legal costs related to planning and zoning and the unexpected cost related to COVID-19.

Transfers out in 2019 were made to other funds to subsidize operations and the acquisition of capital assets.

CAPITAL PROJECTS FUND

The Capital Fund accounts for financial resources restricted to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Fund is primarily funded through transfers from the General Fund and proceeds from the issuance of general obligation debt. As of December 31, 2020, the Capital Projects Fund reported a fund balance of \$1,031,666, which is an increase of \$163,632 from the prior year.

HIGHWAY AID FUND

The Highway Aid Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department. During 2020, the Highway Aid Fund fund balance increased by \$133,564 for a cumulative fund balance of \$310,748 as of December 31, 2020 which is restricted for future streets and highways expenditures.

LIBRARY FUND

The Library Fund accounts for all the financial resources restricted for the Easttown Library, which is primarily funded with property taxes levied specially for the operation of the library. As of December 31, 2020, the Library Fund reported a fund balance of \$156,717 which is an increase of \$11,681 from the prior year.

PARKS AND RECREATION FUND

The Parks and Recreation Fund accounts for all financial resources restricted to park and recreation activities, which are is primarily funded with property taxes levied specifically for parks and recreation. During 2020, the Parks and Recreation Fund fund balance decreased by \$582 for a cumulative balance of \$44,558 as of December 31, 2020.

GENERAL FUND BUDGET INFORMATION

The Township maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Township budgets and expends funds according to procedures mandated by Township code of the Commonwealth of Pennsylvania. An annual operating budget is prepared by management and submitted to the Board of Supervisors for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

General Fund revenues were \$65,040 or 0.99% more than budgeted amounts and General Fund expenditures were \$164,056 or 2.49% more than budgeted amounts resulting in a net negative variance of \$99,016. The negative variance can be attributed to more than anticipated costs for legal and engineering services within the planning and zoning function.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on page 46. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

The Township sewer system was constructed by the Municipal Authority at the request of the Board of Supervisors. The Municipal Authority retains ownership of the system and leases it to the Township, which is responsible for its operation, maintenance and repair. The Board of Supervisors establishes the rates charged to the users of the sewer system, which were increased by approximately 2.50% for 2020. The Township also has a Solid Waste Fund that accounts for the financial resources related to the collection and disposal of refuse within the Township.

The net position of the Township's business-type activities and proprietary funds decreased by \$826,792 during 2020. The net position of the business-type activities and proprietary funds totaled \$3,405,712 as of December 31, 2020.

CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounted to \$19,586,396 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, furniture and equipment and vehicles. The total net increase in the Township's investment in capital assets for 2020 was \$185,827 or 0.96%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$1,546,901 and depreciation expense was \$1,361,074.

Major capital additions for the current fiscal year included the following:

Business-Type Activities	
Sharp's Woods gravity main and force main replacement project	\$1,054,582
Sewer loader and forklift	\$ 186,421

NONCURRENT LIABILITIES

As of December 31, 2020, the Township had total general obligation debt of \$20,842,825 consisting of \$2,655,000 of general obligation bonds payable, \$17,650,000 of guaranteed sewer revenue bonds, and \$537,825 of deferred credits. The entire amount is backed by the full faith and credit of the Township. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net increase in the Township's general obligation debt for the current fiscal year was \$2,605,254 or 14.29%.

On December 29, 2020, the Municipal Authority entered into a guaranteed sewer bond payable agreement for \$7,935,000 with a financial institution to currently refund the Authority's outstanding Series 2012, 2013, and 2014 bonds, to fund \$3,380,000 to the capital program, and to pay for the costs of issuance. The Authority refunded the Guaranteed Sewer Revenue Bonds to reduce future debt service payments by \$269,802.

The Township reports its defined benefit unfunded pension liability and its net liability for post-employment benefits on its statement of position. The Township's unfunded net pension liability and net liability for post-employment benefits are actuarially determined liabilities that totaled \$3,914,149 and \$4,355,790, respectively, as of December 31, 2020. These liabilities decreased by \$695,906 or 7.76% during current year.

Other noncurrent liabilities consist of the Township's liability for compensated absences.

EASTTOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

The Township adopted a balanced 2021 General Fund budget totaling \$6,774,064 which included a 3.0% increase in the real estate tax millage rate. The rate effective January 1, 2021 is set at 4.134 mills.

Quarterly sewer rentals for residential and nonresidential public water increased by approximately 5.00% for 2021.

The Township continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.

The Township is in the process of developing a plan for creating additional space for the Administrative Departments and Police Department by utilizing the Hilltop House facility.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager, Easttown Township, 566 Beaumont Road, Devon, PA 19333.

EASTTOWN TOWNSHIP

STATEMENT OF NET POSITION (DEFICIT) - MODIFIED CASH BASIS

December 31, 2020 with summarized comparative totals for 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
			<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,391,865	\$ 8,436,694	\$ 11,828,559	\$ 10,241,394
Accounts receivable, net	-	791,618	791,618	431,322
Total current assets	<u>3,391,865</u>	<u>9,228,312</u>	<u>12,620,177</u>	<u>10,672,716</u>
NONCURRENT ASSETS				
Capital assets, net	<u>7,380,875</u>	<u>12,205,521</u>	<u>19,586,396</u>	<u>19,400,569</u>
Total assets	<u>10,772,740</u>	<u>21,433,833</u>	<u>32,206,573</u>	<u>30,073,285</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pensions	883,395	-	883,395	835,377
Deferred charges - OPEB	342,664	-	342,664	-
Deferred amounts on debt refunding	-	159,704	159,704	266,005
Total deferred outflows	<u>1,226,059</u>	<u>159,704</u>	<u>1,385,763</u>	<u>1,101,382</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Escrow deposits	<u>440,926</u>	<u>-</u>	<u>440,926</u>	<u>372,789</u>
Total current liabilities	<u>440,926</u>	<u>-</u>	<u>440,926</u>	<u>372,789</u>
NONCURRENT LIABILITIES				
Due within one year	270,000	655,000	925,000	900,000
Due in more than one year	<u>10,847,041</u>	<u>17,532,825</u>	<u>28,379,866</u>	<u>26,378,050</u>
Total noncurrent liabilities	<u>11,117,041</u>	<u>18,187,825</u>	<u>29,304,866</u>	<u>27,278,050</u>
Total liabilities	<u>11,557,967</u>	<u>18,187,825</u>	<u>29,745,792</u>	<u>27,650,839</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	1,526,178	-	1,526,178	934,252
Deferred credits - OPEB	<u>1,112,373</u>	<u>-</u>	<u>1,112,373</u>	<u>674,431</u>
Total deferred inflows	<u>2,638,551</u>	<u>-</u>	<u>2,638,551</u>	<u>1,608,683</u>
NET POSITION (DEFICIT)				
Net investment in capital assets (deficit)	4,725,875	(662,077)	4,063,798	2,845,672
Restricted	1,543,689	-	1,543,689	1,235,394
Unrestricted (deficit)	<u>(8,467,283)</u>	<u>4,067,789</u>	<u>(4,399,494)</u>	<u>(2,165,921)</u>
Total net position (deficit)	<u>\$ (2,197,719)</u>	<u>\$ 3,405,712</u>	<u>\$ 1,207,993</u>	<u>\$ 1,915,145</u>

See accompanying notes

EASTTOWN TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities	Totals	
		Services	Contributions	Contributions			2020	2019
GOVERNMENTAL ACTIVITIES								
General government	\$ 951,160	\$ 91,158	\$ -	\$ -	\$ (860,002)	\$ -	\$ (860,002)	\$ (750,393)
Public safety	5,961,405	1,049,953	354,732	-	(4,556,720)	-	(4,556,720)	(4,710,607)
Public works	718,529	-	531,906	-	(186,623)	-	(186,623)	(628,977)
Culture and recreation	748,270	46,800	-	-	(701,470)	-	(701,470)	(731,229)
Interest expense related to noncurrent liabilities	88,496	-	-	-	(88,496)	-	(88,496)	(81,545)
Total governmental activities	8,467,860	1,187,911	886,638	-	(6,393,311)	-	(6,393,311)	(6,902,751)
BUSINESS-TYPE ACTIVITIES								
Solid Waste	1,266,897	1,080,195	42,158	-	-	(144,544)	(144,544)	(118,277)
Sewer	3,887,777	3,084,452	-	-	-	(803,325)	(803,325)	(1,241,089)
Total business-type activities	5,154,674	4,164,647	42,158	-	-	(947,869)	(947,869)	(1,359,366)
Total primary government	\$ 13,622,534	\$ 5,352,558	\$ 928,796	\$ -	(6,393,311)	(947,869)	(7,341,180)	(8,262,117)
GENERAL REVENUES								
Taxes								
Real estate taxes					5,489,415	-	5,489,415	5,457,296
Transfer taxes					732,837	-	732,837	729,797
Revenue not restricted to specific programs					24,790	-	24,790	361,397
Licenses and permits					295,031	-	295,031	268,230
Fines and forfeitures					33,258	-	33,258	43,929
Investment earnings					19,041	39,656	58,697	203,512
Loss on sale of capital assets					-	-	-	(573)
TRANSFERS					(81,421)	81,421	-	-
Total general revenues and transfers					6,512,951	121,077	6,634,028	7,063,588
CHANGE IN NET POSITION					119,640	(826,792)	(707,152)	(1,198,529)
NET POSITION (DEFICIT)								
Beginning of year					(2,317,359)	4,232,504	1,915,145	3,113,674
End of year					\$ (2,197,719)	\$ 3,405,712	\$ 1,207,993	\$ 1,915,145

See accompanying notes

EASTTOWN TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds					Totals	
	General Fund	Capital Projects Fund	Highway Aid Fund	Library Fund	Parks and Recreation Fund	2020	2019
ASSETS							
Cash and cash equivalents	\$ 1,826,847	\$ 1,031,666	\$ 310,748	\$ 156,717	\$ 65,887	\$ 3,391,865	\$ 3,114,449
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Escrow deposits	\$ -	\$ -	\$ -	\$ -	\$ 21,329	\$ 21,329	\$ 21,829
Land development escrows	419,597	-	-	-	-	419,597	350,960
Total liabilities	<u>419,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,329</u>	<u>440,926</u>	<u>372,789</u>
FUND BALANCES							
Restricted for							
Capital projects	-	1,031,666	-	-	-	1,031,666	868,034
Streets and highways	-	-	310,748	-	-	310,748	177,184
Library	-	-	-	156,717	-	156,717	145,036
Parks and recreation	-	-	-	-	44,558	44,558	45,140
Unassigned	1,407,250	-	-	-	-	1,407,250	1,506,266
Total fund balances	<u>1,407,250</u>	<u>1,031,666</u>	<u>310,748</u>	<u>156,717</u>	<u>44,558</u>	<u>2,950,939</u>	<u>2,741,660</u>
Total liabilities and fund balances	<u>\$ 1,826,847</u>	<u>\$ 1,031,666</u>	<u>\$ 310,748</u>	<u>\$ 156,717</u>	<u>\$ 65,887</u>	<u>\$ 3,391,865</u>	<u>\$ 3,114,449</u>

See accompanying notes

EASTTOWN TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT) - MODIFIED CASH BASIS

December 31, 2020

TOTAL GOVERNMENTAL FUND BALANCES \$ 2,950,939

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. 7,380,875

Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are not reported as assets and liabilities in the governmental funds balance sheet. (1,412,492)

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet. (11,117,041)

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (2,197,719)

EASTTOWN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds					Totals	
	General Fund	Capital Projects Fund	Highway Aid Fund	Library Fund	Parks and Recreation Fund	2020	2019
REVENUES							
Taxes	\$ 4,735,726	\$ 715,943	\$ -	\$ 710,584	\$ 60,000	\$ 6,222,253	\$ 6,187,093
Licenses and permits	295,031	-	-	-	-	295,031	268,230
Fines and forfeits	33,258	-	-	-	-	33,258	43,929
Interest, rent and royalties	11,159	5,053	1,287	1,097	443	19,039	71,409
Intergovernmental revenues	392,276	-	360,722	-	-	752,998	801,338
Charges for services	1,141,111	47,080	-	-	16,800	1,204,991	1,235,819
Miscellaneous	41,861	123,812	-	-	-	165,673	159,190
Total revenues	<u>6,650,422</u>	<u>891,888</u>	<u>362,009</u>	<u>711,681</u>	<u>77,243</u>	<u>8,693,243</u>	<u>8,767,008</u>
EXPENDITURES							
Current							
General government	934,398	13,885	-	-	-	948,283	897,234
Public safety	5,361,735	251,795	-	-	-	5,613,530	5,290,319
Public works - highways and streets	453,305	45,078	228,445	-	-	726,828	1,148,048
Culture and recreation	-	-	-	700,000	77,825	777,825	815,954
Debt service	-	336,077	-	-	-	336,077	340,261
Total expenditures	<u>6,749,438</u>	<u>646,835</u>	<u>228,445</u>	<u>700,000</u>	<u>77,825</u>	<u>8,402,543</u>	<u>8,491,816</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,016)</u>	<u>245,053</u>	<u>133,564</u>	<u>11,681</u>	<u>(582)</u>	<u>290,700</u>	<u>275,192</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	-	-	-	-	-	-	5,070
Transfers in	-	105,000	-	-	-	105,000	206,021
Transfers out	-	(186,421)	-	-	-	(186,421)	(429,695)
Total other financing sources (uses)	<u>-</u>	<u>(81,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,421)</u>	<u>(218,604)</u>
NET CHANGE IN FUND BALANCES	<u>(99,016)</u>	<u>163,632</u>	<u>133,564</u>	<u>11,681</u>	<u>(582)</u>	<u>209,279</u>	<u>56,588</u>
FUND BALANCES							
Beginning of year	<u>1,506,266</u>	<u>868,034</u>	<u>177,184</u>	<u>145,036</u>	<u>45,140</u>	<u>2,741,660</u>	<u>2,685,072</u>
End of year	<u>\$ 1,407,250</u>	<u>\$ 1,031,666</u>	<u>\$ 310,748</u>	<u>\$ 156,717</u>	<u>\$ 44,558</u>	<u>\$ 2,950,939</u>	<u>\$ 2,741,660</u>

See accompanying notes

EASTTOWN TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended December 31, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 209,279

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 87,265	
Depreciation expense	<u>(363,737)</u>	(276,472)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds payable	260,000	
Amortization of bond discounts	<u>(12,419)</u>	247,581

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 the governmental funds.

Current year change in compensated absences	(117,468)	
Change in net OPEB liability and related deferred inflows and outflows	(78,756)	
Change in net pension liability and related deferred inflows and outflows	<u>135,476</u>	<u>(60,748)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 119,640

EASTTOWN TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Solid Waste Fund	Sewer Revenue Fund	Municipal Authority	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash and cash equivalents	\$ 167,386	\$ 2,197,936	\$ 6,071,372	\$ 8,436,694	\$ 7,126,945
Accounts receivable	175,402	616,216	-	791,618	431,322
Total current assets	<u>342,788</u>	<u>2,814,152</u>	<u>6,071,372</u>	<u>9,228,312</u>	<u>7,558,267</u>
NONCURRENT ASSETS					
Capital assets, net	-	235,575	11,969,946	12,205,521	11,743,222
Total assets	<u>342,788</u>	<u>3,049,727</u>	<u>18,041,318</u>	<u>21,433,833</u>	<u>19,301,489</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on debt refunding	-	-	159,704	159,704	266,005
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of bonds payable	-	-	655,000	655,000	640,000
NONCURRENT LIABILITIES					
Bonds payable, net of current portion	-	-	16,995,000	16,995,000	14,415,000
Bonds premiums, net	-	-	537,825	537,825	299,560
Bonds discounts, net	-	-	-	-	(19,570)
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>17,532,825</u>	<u>17,532,825</u>	<u>14,694,990</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>18,187,825</u>	<u>18,187,825</u>	<u>15,334,990</u>
NET POSITION					
Net investment in capital assets	-	235,575	(897,652)	(662,077)	(1,934,218)
Unrestricted	342,788	2,814,152	910,849	4,067,789	6,166,722
Total net position	<u>\$ 342,788</u>	<u>\$ 3,049,727</u>	<u>\$ 13,197</u>	<u>\$ 3,405,712</u>	<u>\$ 4,232,504</u>

See accompanying notes

EASTTOWN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Solid Waste Fund	Sewer Fund	Municipal Authority	2020	2019
OPERATING REVENUES					
Charges for services					
Sewer rents and fees	\$ -	\$ 2,772,338	\$ 209,920	\$ 2,982,258	\$ 2,810,140
Solid waste	1,080,195	-	-	1,080,195	1,090,303
Other	-	102,194	-	102,194	124,153
Total operating revenues	<u>1,080,195</u>	<u>2,874,532</u>	<u>209,920</u>	<u>4,164,647</u>	<u>4,024,596</u>
OPERATING EXPENSES					
Administrative expenses	33,617	90,114	-	123,731	163,503
Contracted services	993,217	-	-	993,217	969,552
Depreciation	-	64,809	932,528	997,337	889,427
Insurance	14,326	95,824	-	110,150	97,326
Professional services	13,148	15,987	-	29,135	17,828
Repairs and maintenance	-	135,748	49,465	185,213	263,029
Salaries and benefits	212,589	753,691	-	966,280	982,190
Utilities	-	90,833	-	90,833	103,605
Wastewater treatment services	-	1,079,175	-	1,079,175	1,087,030
Total operating expenses	<u>1,266,897</u>	<u>2,326,181</u>	<u>981,993</u>	<u>4,575,071</u>	<u>4,573,490</u>
Operating income (loss)	<u>(186,702)</u>	<u>548,351</u>	<u>(772,073)</u>	<u>(410,424)</u>	<u>(548,894)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	2,009	15,128	22,519	39,656	132,103
Interest expense	-	-	(451,669)	(451,669)	(573,884)
Intergovernmental revenues	42,158	-	-	42,158	32,330
Bond issuance costs	-	-	(127,934)	(127,934)	(144,765)
Total nonoperating revenues (expenses)	<u>44,167</u>	<u>15,128</u>	<u>(557,084)</u>	<u>(497,789)</u>	<u>(554,216)</u>
Income (loss) before transfers	<u>(142,535)</u>	<u>563,479</u>	<u>(1,329,157)</u>	<u>(908,213)</u>	<u>(1,103,110)</u>
Transfers in	-	186,421	1,000,467	1,186,888	425,343
Transfers out	-	(1,105,467)	-	(1,105,467)	(201,668)
CHANGE IN NET POSITION	<u>(142,535)</u>	<u>(355,567)</u>	<u>(328,690)</u>	<u>(826,792)</u>	<u>(879,435)</u>
NET POSITION					
Beginning of year	<u>485,323</u>	<u>3,405,294</u>	<u>341,887</u>	<u>4,232,504</u>	<u>5,111,939</u>
End of year	<u>\$ 342,788</u>	<u>\$ 3,049,727</u>	<u>\$ 13,197</u>	<u>\$ 3,405,712</u>	<u>\$ 4,232,504</u>

See accompanying notes

EASTTOWN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Solid Waste Fund	Sewer Revenue Fund	Municipal Authority	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$ 1,016,854	\$ 2,475,383	\$ 209,920	\$ 3,702,157	\$ 3,983,092
Cash paid to vendors for goods and services	(1,054,308)	(1,507,681)	(49,465)	(2,611,454)	(2,701,873)
Cash paid to employees for services	(212,589)	(753,691)	-	(966,280)	(982,190)
Other receipts	-	102,194	-	102,194	-
Net cash provided by (used for) operating activities	<u>(250,043)</u>	<u>316,205</u>	<u>160,455</u>	<u>226,617</u>	<u>299,029</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	42,158	-	-	42,158	32,330
Transfers from other funds	-	186,421	1,000,467	1,186,888	425,343
Transfers to other funds	-	(1,105,467)	-	(1,105,467)	(201,668)
Net cash provided by noncapital financing activities	<u>42,158</u>	<u>(919,046)</u>	<u>1,000,467</u>	<u>123,579</u>	<u>256,005</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(186,421)	(1,273,215)	(1,459,636)	(460,985)
Bond issuance costs	-	-	(127,934)	(127,934)	(144,765)
Proceeds from bond premiums	-	-	320,840	320,840	-
Proceeds from bonds payable	-	-	7,935,000	7,935,000	9,974,222
Repayment of bonds payable	-	-	(5,340,000)	(5,340,000)	(13,760,000)
Interest paid	-	-	(408,373)	(408,373)	(555,122)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(186,421)</u>	<u>1,106,318</u>	<u>919,897</u>	<u>(4,946,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	2,009	15,128	22,519	39,656	132,103
Net increase (decrease) in cash	<u>(205,876)</u>	<u>(774,134)</u>	<u>2,289,759</u>	<u>1,309,749</u>	<u>(4,259,513)</u>
CASH					
Beginning of year	<u>373,262</u>	<u>2,972,070</u>	<u>3,781,613</u>	<u>7,126,945</u>	<u>11,386,458</u>
Ending of year	<u>\$ 167,386</u>	<u>\$ 2,197,936</u>	<u>\$ 6,071,372</u>	<u>\$ 8,436,694</u>	<u>\$ 7,126,945</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ (186,702)	\$ 548,351	\$ (772,073)	\$ (410,424)	\$ (548,894)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	-	64,809	932,528	997,337	889,427
(Increase) decrease in Accounts receivable	(63,341)	(296,955)	-	(360,296)	(41,504)
Net cash provided by (used for) operating activities	<u>\$ (250,043)</u>	<u>\$ 316,205</u>	<u>\$ 160,455</u>	<u>\$ 226,617</u>	<u>\$ 299,029</u>

See accompanying notes

EASTTOWN TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS

December 31, 2020 with summarized comparative totals for 2019

	<u>Pension Trust Funds</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 335,464	\$ 259,545
Investments	<u>14,449,812</u>	<u>12,441,226</u>
Total assets	<u>14,785,276</u>	<u>12,700,771</u>
 NET POSITION		
Assets held in trust for pension benefits	<u>\$14,785,276</u>	<u>\$12,700,771</u>

See accompanying notes

EASTTOWN TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS

Year ended December 31, 2020 with summarized comparative totals for 2019

	<u>Pension Trust Funds</u>	
	<u>2020</u>	<u>2019</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 896,697	\$ 863,286
Member contributions	<u>83,825</u>	<u>98,709</u>
Total contributions	<u>980,522</u>	<u>961,995</u>
Investment income		
Interest and dividends	1,050,520	1,893,898
Realized and unrealized gain	<u>1,025,249</u>	<u>276,581</u>
Total investment income	<u>2,075,769</u>	<u>2,170,479</u>
Total additions	<u>3,056,291</u>	<u>3,132,474</u>
DEDUCTIONS		
Benefits paid	914,803	921,322
Administrative expenses	<u>56,982</u>	<u>47,787</u>
Total deductions	<u>971,785</u>	<u>969,109</u>
CHANGE IN NET POSITION	2,084,506	2,163,365
NET POSITION		
Beginning of year	<u>12,700,770</u>	<u>10,537,405</u>
End of year	<u>\$14,785,276</u>	<u>\$12,700,770</u>

See accompanying notes

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Easttown Township (the "**Township**"), Chester County, Pennsylvania, was established in 1704 and operates as a Township of a second class under the Township code of the Commonwealth of Pennsylvania. The Township is governed by an elected five-member Board of Supervisors and provides the following services: general government; public safety - police, fire, ambulance, codes and planning and zoning; public works – sanitation and highways and streets; and culture and recreation.

The financial statements of the Township have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the Easttown Municipal Authority (the "**Municipal Authority**"), Uniformed Pension Plan and Nonuniform Pension Plan are component units of the Township.

The Municipal Authority was formed for the sole purpose of planning, constructing, renovating and acquiring certain assets for the collection and treatment of wastewater for the benefit of the residents of the Township. The Municipal Authority's Board consists of five members appointed for a five-year term by the Township Board of Supervisors and Township has guaranteed the debt of the Municipal Authority. The activities of the Municipal Authority are blended as part of the primary government as a proprietary fund in the accompanying financial statements. The Municipal Authority issues separate audited financial statements which are available to the public through the Township office.

The Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provide pension benefits for all regular full-time police officers. Although the Uniformed Pension Plan is a separate legal entity it is reported as if it is part of the Township as it is governed by a board comprised of members appointed by the Board of Supervisors of the Township and the Township is responsible for funding the Uniformed Pension Plan. The activities of the Uniformed Pension Plan are blended as a fiduciary fund and does not issue separate financial statements.

The Nonuniformed Employees' Pension Plan is a single employer defined benefit pension plan that provide pension benefits for its full-time, nonuniform employees and its part-time nonuniform employees working at least 1,000 hours per year. Although the Nonuniformed Pension Plan is a separate legal entity it is reported as if it is part of the Township as it is governed by a board comprised of members appointed by the Board of Supervisors of the Township and the Township is responsible for funding the Nonuniformed Pension Plan. The activities of the Nonuniformed Pension Plan are blended as a fiduciary fund and does not issue separate financial statements.

Basis of Presentation

Government-Wide Financial Statements

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

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

The government-wide financial statements are prepared using the economic resources measurement focus and the modified cash basis of accounting. Under the modified cash basis of accounting, the Township recognized revenues when received rather than when earned and expenses when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting include recording capital assets, deferred charges and credits related to noncurrent liabilities, accounts receivable for business-type activities and proprietary funds and noncurrent liabilities for general obligation debt and net actuarial liabilities for pension and other postemployment benefits. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position – modified cash basis presents the financial position of the Township which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Township is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position – modified cash basis includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities – modified cash basis presents a comparison between expenses and program revenues for each function of the business-type activities of the Township and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Township. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. Fiduciary fund financial statements are presented by fund type.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Governmental Funds

All governmental funds are accounted for using the modified cash basis of accounting and the current financial resources measurement focus. Under the modified cash basis of accounting, the Township recognizes revenues when received rather than when earned and expenses when paid rather than when the obligation is incurred. The Township reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources to be used for the acquisition, construction of capital facilities, improvements and other equipment.

The Highway Aid Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects.

The Library Fund is used to account for all financial resources of the Easttown Library.

The Parks and Recreation Fund is used to account for all financial resources to be used for the Township's parks and recreation activities.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the modified cash basis of accounting. Modifications to the cash basis of accounting include recording capital assets, deferred amounts on debt refunding, accounts receivable, and noncurrent liabilities for general obligation debt. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Under the cash basis of accounting, the Township recognizes revenues when received rather than when earned and expenses when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting include recording capital assets, deferred charges, and bonds payable. The Township reports the following major proprietary funds:

The Solid Waste Fund accounts for the operations of providing refuse services to the residents of the Township.

The Sewer Revenue Fund accounts for the operations of providing sewer services to the residents of the Township.

The Municipal Authority Fund accounts for the activities of the Easttown Municipal Authority, which is a blended component unit of the Township.

These 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 the proprietary funds' principal ongoing operations. The principal operating revenues of the Township's proprietary funds are charges for services. Operating expenses for the Township's proprietary funds include the cost of operations and maintenance and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the Township as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the Township's own programs. The Township reports the following fiduciary funds:

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

The Pension Trust Funds account for the activities of the Township's uniformed and nonuniformed defined benefit pension plans which accumulate resources for pension benefit payments to qualified employees upon retirement.

Cash and Cash Equivalents

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

Interfund 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/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Taxes

Property taxes are levied on January 1 and are payable in the following periods:

January 1 – May 1	- Discount period, 2% of gross levy
May 2 – June 30	- Face period
July 1 to collection	- Penalty period, 10% of gross levy
January 15	- Lien date

The Chester County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the Chester County Treasurer's Office. The tax on real estate for general purposes for fiscal 2020 was 4.134 mills (\$4.134 for \$1,000 of assessed valuation), consisting of 3.037 mills for general purposes, 0.049 mills for parks and recreation, 0.515 mills for capital projects and 0.533 mills for library. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for property taxes receivable.

Other taxes levied in 2020 consisted of the following:

Real estate transfer tax	- 1% of gross sales price
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Accounts Receivable

The Township's accounts receivables are reported at net realizable value. The Township's sewer and airport operations experience very small losses from uncollectible accounts. Sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for its business-type activities and proprietary funds.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years, improvements other than buildings – 20 years, infrastructure – 40 years, library collection – 10 years, furniture and equipment – 5-20 years, and vehicles – 5 years.

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township. No impairment losses were recognized in the year ended December 31, 2020.

Compensated Absences

Township policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirement.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources and uses.

Fund Equity

As prescribed by GASB, 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 fund can be spent. The Township reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

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

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Board of Supervisors. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes those constraints by taking the same type of formal action (e.g., resolution).

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Assigned

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

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

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

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 83 "*Certain Asset Retirement Obligations*" is effective for the Township for the year ended December 31, 2020. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations ("**AROs**"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84 "*Fiduciary Activities*" is effective for the Township for the year ended December 31, 2020. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

GASB Statement No. 88 "*Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*" is effective for the Township for the year ended December 31, 2020. GASB Statement No. 88 improves the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*" is effective for the Township for the year ended December 31, 2020. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

GASB Statement No. 87, "*Leases*" will be effective for the Township for the year ended December 31, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the Township for the year ended December 31, 2021. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Township code of the Commonwealth of Pennsylvania requires that an annual budget for all funds be adopted no later than December 31 for the succeeding fiscal year beginning January 1. The Township is required to publish notice by advertisement at least once in one newspaper of general circulation in the Township, and within 20 days of final action, that the budget has been prepared and is available for public inspection at the Township offices. Notice that public hearings will be held on the proposed budget must be included in the advertisement.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

The Township is legally required to maintain budgetary controls at the major function level. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and include the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the Township to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2020, the carrying amount of the Township's deposits was \$12,164,023 and the bank balance was \$12,634,375. Of the bank balance, \$750,000 was covered by federal depository insurance and \$11,884,375 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

Investments

As of December 31, 2020, the Township's pension trust funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Exchange-traded and mutual funds	<u>\$14,449,812</u>

Exchange-traded and mutual funds are valued using Level 1 inputs.

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. As of December 31, 2020, the real estate investment trusts are uninsured investment securities that are held by either the counterparty or the counterparty's trust department or agent but not in the Township's name and subject to custodial credit risk.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits its type of investments permitted as defined in the state statutes. The Township had no investments subject to credit risk as of December 31, 2020.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. As of December 31, 2020, the Township had no investments subject to concentration of credit risk.

(4) CAPITAL ASSETS

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

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,970,144	\$ -	\$ -	\$ 1,970,144
Capital assets being depreciated				
Buildings and improvements	11,297,045	-	-	11,297,045
Library collection	1,900,000	-	-	1,900,000
Infrastructure	272,995	-	-	272,995
Furniture and equipment	<u>1,863,081</u>	<u>87,265</u>	<u>-</u>	<u>1,950,346</u>
Total capital assets being depreciated	<u>15,333,121</u>	<u>87,265</u>	<u>-</u>	<u>15,420,386</u>
Less accumulated depreciation for				
Buildings and improvements	(6,027,495)	(268,654)	-	(6,296,149)
Library collection	(1,900,000)	-	-	(1,900,000)
Infrastructure	(64,132)	(6,825)	-	(70,957)
Furniture and equipment	<u>(1,654,291)</u>	<u>(88,258)</u>	<u>-</u>	<u>(1,742,549)</u>
Total accumulated depreciation	<u>(9,645,918)</u>	<u>(363,737)</u>	<u>-</u>	<u>(10,009,655)</u>
Total capital assets being depreciated, net	<u>5,687,203</u>	<u>(276,472)</u>	<u>-</u>	<u>5,410,731</u>
Governmental activities, net	<u>\$ 7,657,347</u>	<u>\$ (276,472)</u>	<u>\$ -</u>	<u>\$ 7,380,875</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 294,170	\$ -	\$ -	\$ 294,170
Capital assets being depreciated				
Buildings and improvements	800,746	-	-	800,746
Improvements other than buildings	19,254,608	1,273,215	-	20,527,823
Machinery and equipment	<u>291,997</u>	<u>186,421</u>	<u>-</u>	<u>478,418</u>
Total capital assets being depreciated	<u>20,347,351</u>	<u>1,459,636</u>	<u>-</u>	<u>21,806,987</u>
Less accumulated depreciation for				
Buildings and improvements	(450,868)	(30,925)	-	(481,793)
Improvements other than buildings	(8,269,397)	(901,603)	-	(9,171,000)
Machinery and equipment	<u>(178,034)</u>	<u>(64,809)</u>	<u>-</u>	<u>(242,843)</u>
Total accumulated depreciation	<u>(8,898,299)</u>	<u>(997,337)</u>	<u>-</u>	<u>(9,895,636)</u>
Total capital assets being depreciated, net	<u>11,449,052</u>	<u>462,299</u>	<u>-</u>	<u>11,911,351</u>
Business-type activities, net	<u>\$11,743,222</u>	<u>\$ 462,299</u>	<u>\$ -</u>	<u>\$ 12,205,521</u>

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

Governmental activities	
General government	\$ 41,289
Public safety	258,777
Public works	31,190
Culture and recreation	<u>32,481</u>
Total depreciation expense - governmental activities	<u>\$363,737</u>
Business-type activities	
Sewer	<u>\$997,337</u>

(5) INTERNAL TRANSFERS

A summary of interfund transfers for the year ended December 31, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$ 105,000	Sewer Fund	\$ 105,000
Sewer Fund	186,421	Capital Projects Fund	186,421
Municipal Authority Fund	<u>1,000,467</u>	Sewer Fund	<u>1,000,467</u>
	<u>\$1,291,888</u>		<u>\$1,291,888</u>

Transfers between the Capital Projects Fund and Sewer Revenue Fund represent monies to subsidize costs associated with the acquisition of sewer capital assets and debt service payments. Transfers to the Municipal Authority Fund from the Sewer Fund represent lease rental payments pursuant to a long-term lease rental agreement which are equivalent to the annual debt service requirements under the Guaranteed Sewer Revenue Bonds payable (**See Note 6**).

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2020:

	<u>Balance January 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2020</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt:					
Bonds payable	\$ 2,915,000	\$ -	\$ 260,000	\$ 2,655,000	\$270,000
Bond discounts	<u>(12,419)</u>	<u>-</u>	<u>(12,419)</u>	<u>-</u>	<u>-</u>
Total general obligation debt	<u>2,902,581</u>	<u>-</u>	<u>247,581</u>	<u>2,655,000</u>	<u>270,000</u>
Other noncurrent liabilities					
Compensated absences	74,634	117,468	-	192,102	-
Net pension liability	4,593,533	2,376,907	3,056,291	3,914,149	-
OPEB liability	<u>4,372,312</u>	<u>764,870</u>	<u>781,392</u>	<u>4,355,790</u>	<u>-</u>
Total other noncurrent liabilities	<u>9,040,476</u>	<u>3,259,245</u>	<u>3,837,683</u>	<u>8,462,041</u>	<u>-</u>
Total noncurrent liabilities governmental activities	<u>\$11,943,060</u>	<u>\$3,259,245</u>	<u>\$4,085,264</u>	<u>\$11,117,041</u>	<u>\$270,000</u>

Noncurrent liabilities of governmental activities are to be liquidated by the Capital Projects Fund.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Business-type activities					
General obligation debt:					
Sewer revenue bonds	\$ 15,055,000	\$7,935,000	\$5,340,000	\$17,650,000	\$655,000
Bond premiums	299,560	320,840	82,575	537,825	-
Bond discounts	<u>(19,570)</u>	<u>-</u>	<u>(19,570)</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities business-type activities	<u>\$15,334,990</u>	<u>\$8,255,840</u>	<u>\$5,403,005</u>	<u>\$18,187,825</u>	<u>\$655,000</u>

Noncurrent liabilities of business-type activities are to be liquidated by sewer operations.

General Obligation Debt

General obligation debt is a direct obligation of the Township for which full faith and credit are pledged and are payable from local sources. The Township has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of December 31, 2020 consisted of the following:

Governmental Activities

On June 21, 2012, the Township issued \$4,425,000 of General Obligation Bonds, Series of 2012 (the "**Series 2012 Bonds**") to a financial institution in the principal amount of \$4,425,000. The proceeds of the Series 2012 Bonds were used for (a) the partial advance refunding of the Township's General Obligation Bonds, Series of 2008 and (b) payment of the costs to issue the Series 2012 Bonds. The Series 2012 Bonds are payable annually in varying amounts from September 2013 to September 2029 and bear interest at rates between 1.00%-3.00%.

Annual debt service requirements under the governmental activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 270,000	\$ 71,005	\$ 341,005
2022	275,000	65,335	340,335
2023	275,000	58,873	333,873
2024	285,000	52,410	337,410
2025	295,000	44,715	339,715
2026-2029	<u>1,255,000</u>	<u>94,800</u>	<u>1,349,800</u>
	<u>\$2,655,000</u>	<u>\$387,138</u>	<u>\$3,042,138</u>

Business-Type Activities

On September 13, 2012, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2012 (the "**Series 2012 Bonds**") to a financial institution in the principal amount of \$5,280,000. The proceeds of the Series 2012 Bonds were used for (a) the partial advance refunding of the Guaranteed Sewer Revenue Bonds, Series of 2007, and (b) the payment of costs incurred to issue the Series 2012 Bonds. The Series 2012 Bonds are payable annually in varying amounts from September 2013 to September 2032 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 1.00%-3.25%.

On July 10, 2013, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2013 (the "**Series 2013 Bonds**") to a financial institution in the principal amount of \$2,185,000. The proceeds of the Series 2013 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2007, and (b) the payment of costs incurred to issue the Series 2013 Bonds. The Series 2013 Bonds are payable annually in varying amounts from September 2014 to September 2025 and is secured by the assignment and pledge of the revenues of the sewer system and the guaranty of the Township. Interest is payable monthly at fixed rates of 2.00%-3.20%.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

On December 4, 2014, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2014 (the "**Series 2014 Bonds**") to a financial institution in the principal amount of \$4,900,000. The proceeds of the Series 2014 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2010 and (b) the payment of costs incurred to issue the Series 2014 Bonds. The Series 2014 Bonds are payable annually in varying amounts from September 2015 to September 2027 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 0.55%-4.00%.

On October 24, 2019, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2019 (the "**Series 2019 Bonds**") to a financial institution in the principal amount of \$9,725,000. The proceeds of the Series 2019 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2011, (b) the partial current refunding of the Guaranteed Sewer Revenue Bonds, Series of 2012, and (c) the payment of costs incurred to issue the Series 2019 Bonds. The Series 2019 Bonds are payable annually in varying amounts from September 2020 to September 2036 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 2.00%-3.00%.

On December 29, 2020, the Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2020 (the "**Series 2020 Bonds**") to a financial institution in the principal amount of \$7,935,000. The proceeds of the Series 2020 Bonds were used for (a) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2012, (b) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2013, (c) the current refunding of the remaining outstanding Guaranteed Sewer Revenue Bonds, Series of 2014, (d) to fund \$3,380,000 to the capital program, and (e) the payment of costs incurred to issue the Series 2020 Bonds. The Series 2020 Bonds are payable annually in varying amounts from September 2021 to September 2040 and is secured by the guaranty of the Township. Interest is payable monthly at fixed rates of 2.00%-4.00%. The Authority refunded the Guaranteed Sewer Revenue Bonds to reduce future debt service payments by \$269,802.

Annual debt service requirements under the business-type activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal</u> <u>Maturities</u>	<u>Interest</u> <u>Maturities</u>	<u>Total</u> <u>Maturities</u>
2021	\$ 655,000	\$ 401,311	\$ 1,056,311
2022	630,000	449,160	1,079,160
2023	645,000	436,510	1,081,510
2024	805,000	423,560	1,228,560
2025	915,000	392,910	1,307,910
2026-2030	5,045,000	1,546,250	6,591,250
2031-2035	5,575,000	813,245	6,388,245
2036-2040	<u>3,380,000</u>	<u>188,650</u>	<u>3,568,650</u>
	<u>\$17,650,000</u>	<u>\$4,651,596</u>	<u>\$22,301,596</u>

(7) POST EMPLOYMENT RETIREMENT PLAN

The Township provides health benefits and sick leave benefits to eligible retired police officers and spouses, as well as eligible non-uniformed employees, through a single employer defined benefit plan. The objective of the plan is to provide members with health benefits through age 65 and pay members for any unused sick leave as of the time of retirement.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Plan Membership

Membership in the OPEB Plan consisted of the following at December 31, 2020:

Active employees	23
Retirees and beneficiaries currently receiving benefits	14
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>37</u>

Funding Policy

The Township's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the Township Board of Supervisors.

OPEB Liability

The Township's OPEB liability has been measured as of December 31, 2020. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, and by rolling forward the liabilities from the January 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$4,355,790, all of which is unfunded.

The Township's change in total OPEB liability, plan fiduciary net position, and OPEB liability for the year ended December 31, 2020 were as follows:

	<u>Total OPEB Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability (A) – (B)</u>
Balances as of December 31, 2019	\$4,372,312	\$ -	\$4,372,312
Changes for the year:			
Service cost	207,324	-	207,324
Interest on total OPEB liability	131,412	-	131,412
Changes in benefit terms	21,281	-	21,281
Differences between expected and actual experience	(661,926)	-	(661,926)
Changes in assumptions	404,853	-	404,853
Employer contributions	-	119,466	(119,466)
Benefit payments	<u>(119,466)</u>	<u>(119,466)</u>	<u>-</u>
Net changes	<u>(16,522)</u>	<u>-</u>	<u>(16,522)</u>
Balances as of December 31, 2020	<u>\$4,355,790</u>	<u>\$ -</u>	<u>\$4,355,790</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for December 31, 2020, calculated using current healthcare cost trends as well as what the OPEB liability would be if healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$3,887,465</u>	<u>\$4,355,790</u>	<u>\$4,898,630</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

	<u>1% Decrease</u> <u>2.26%</u>	<u>Current Discount Rate</u> <u>3.26%</u>	<u>1% Increase</u> <u>4.26%</u>
OPEB liability	<u>\$4,765,436</u>	<u>\$4,355,790</u>	<u>\$3,984,849</u>

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

For the year ended December 31, 2020, the Township recognized OPEB expense of \$198,222. At December 31, 2020, the Township had deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 560,248
Changes in assumptions	<u>342,664</u>	<u>552,125</u>
	<u>\$342,664</u>	<u>\$1,112,373</u>

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

Year ended December 31,

2021	\$(161,795)
2022	(161,795)
2023	(161,795)
2024	(154,709)
2025	(109,476)
Thereafter	<u>(20,139)</u>
	<u>\$(769,709)</u>

Actuarial Methods and Significant Assumptions

- Investment return – N/A (pay-as-you-go)
- Discount rate – 3.26%
- Salary increases – 3.50% per year
- Mortality rates – Pub-2010 mortality tables for males and females, projected generationally with scale MP-2019

(8) EMPLOYEE RETIREMENT PLANS

Uniformed Employees' Pension Fund

The Easttown Township Uniformed Employees' Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Uniformed Pension Plan**") that covers all full-time uniformed police officers of the Township. The Uniformed Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Plan Membership

Membership in the Uniformed Pension Plan consisted of the following at January 1, 2019:

Active plan members	16
Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>30</u>

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Benefit Provisions

The Uniformed Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement after attainment of age 52 and 25 years. A member shall have the opportunity to vest his benefit if he terminates employment after 12 years of service. Normal retirement benefits are calculated as 50% of average compensation. The monthly average salary is calculated as the average actual monthly salary of the employee over the final 36 months of active continuous employment.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to 70% of his monthly average salary up to their normal retirement date and 50% thereafter, reduced by any worker's compensation or other disability benefits to which the Township has contributed.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse or eligible dependent child, equal to 50% of the normal monthly retirement benefit.

Basis of Accounting

The Uniformed Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Uniformed Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost, plus plan expenses, in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status.

Members currently contribute 5.00% of their compensation to the fund. Contributions are subject to collective bargaining.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 2.50% inflation and 4.50% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 10 years.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The Uniformed Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the 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 weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	42.00%	22.00% - 62.00%
International equities	23.00%	3.00% - 43.00%
Fixed income	33.00%	15.00% - 55.00%
Real estate	0.00%	0.00% - 20.00%
Cash	<u>2.00%</u>	0.00% - 20.00%
Total portfolio	<u>100.00%</u>	

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2020. The total pension liability was determined by an actuarial valuation as of January 1, 2019, and by rolling forward the liabilities from the January 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$3,892,063 measured as the difference between the total pension liability of \$14,272,007 and the fiduciary net position of \$10,379,944.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2020 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Balances as of December 31, 2019	<u>\$12,964,309</u>	<u>\$ 8,698,845</u>	<u>\$ 4,265,464</u>
Changes for the year:			
Service cost	410,451	-	410,451
Interest on total pension liability	885,952	-	885,952
Changes of assumptions	583,993	-	583,993
Employer contributions	-	810,267	(810,267)
Member contributions	-	73,589	(73,589)
Net investment income	-	1,450,964	(1,450,964)
Benefit payments	(615,701)	(615,701)	-
Difference between expected and actual experience	<u>43,003</u>	<u>-</u>	<u>43,003</u>
Net changes	<u>1,307,698</u>	<u>1,681,099</u>	<u>(373,401)</u>
Balances as of December 31, 2020	<u>\$14,272,007</u>	<u>\$10,379,944</u>	<u>\$ 3,892,063</u>

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

The following presents the net pension liability of the Township calculated using the discount rate 7.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability	<u>\$5,660,330</u>	<u>\$3,892,063</u>	<u>\$2,420,185</u>

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

For the year ended December 31, 2020, the Township recognized pension expense of \$849,009. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 33,489	\$ 67,039
Changes in assumptions	807,134	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,000,166</u>
	<u>\$840,623</u>	<u>\$1,067,205</u>

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

Year ended December 31,

2021	\$ (60,138)
2022	55,007
2023	(123,162)
2024	<u>(98,289)</u>
	<u>\$ (226,582)</u>

Deferred Retirement Option Program

A member who has attained normal retirement age may submit an application to enter in the Deferred Retirement Option Program ("**DROP**") for a period of no more than 60 months. If approved, all payments made into the DROP will be payable at the member's request in a lump sum at the member's actual retirement. As of December 31, 2020, the balance in the DROP program is \$264,144. This balance is not included in the Total Pension Liability or the Plan Fiduciary Net Position.

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 2.25%
- Salary increases – 5.00% per year
- Mortality rates – RP 2000 mortality tables for males and females

Nonuniformed Employees' Pension Fund

The Easttown Township Nonuniformed Employees' Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Nonuniformed Pension Plan**") that was available to non-uniformed, non-bargaining employees of the Township hired prior to January 1, 2010, and non-uniformed bargaining employees hired prior to January 1, 2012. As of January 1, 2012, the defined benefit plan was closed to all new employees.

Plan Membership

Membership in the Nonuniformed Pension Plan consisted of the following at January 1, 2019:

Active plan members	7
Inactive plan members and beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>27</u>

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Benefit Provisions

The Nonuniformed Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement after attainment of age 65 and 5 years and early retirement after attainment of age 62 and 10 years. Accrued retirement benefits are based on credited service, final average earnings and member contributions at retirement date.

A member who receives a total and permanent disability after ten years of credited service will receive a pension of \$150 per month during his period of disability or until the normal retirement date.

Upon the death of an active member who had met age and service requirements for a pension benefit, the surviving spouse, if any, is entitled to receive a benefit calculated as if the member had retired on the date of death and elected a joint and 10% survivor option. Upon death of any other non-retired member, a refund of member contributions plus interest credited at the rate of 7.00% will be paid to the member's designated beneficiary.

Basis of Accounting

The Nonuniformed Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Nonuniformed Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Township contributions to the plan are determined and paid in accordance with Pennsylvania Act 205 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 205 requires full funding of the entry age normal cost, plus plan expenses, in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Employees are required to contribute 2.00% of their aggregate earnings to the fund. Contributions are subject to collective bargaining.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 2.50% inflation and 3.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 14 years.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The Nonuniformed Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the 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 class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	39.00%	19.00% - 59.00%
International equities	21.00%	1.00% - 41.00%
Fixed income	33.00%	20.00% - 60.00%
Real estate	0.00%	0.00% - 20.00%
Cash	<u>2.00%</u>	0.00% - 20.00%
Total portfolio	<u>100.00%</u>	

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2020. The total pension liability was determined by an actuarial valuation as of January 1, 2019, and by rolling forward the liabilities from the January 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$22,086 measured as the difference between the total pension liability of \$4,427,418 and the fiduciary net position of \$4,405,332.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2020 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Balances as of December 31, 2019	<u>\$4,329,994</u>	<u>\$4,001,925</u>	<u>\$ 328,069</u>
Changes for the year:			
Service cost	62,928	-	62,928
Interest on total pension liability	292,631	-	292,631
Changes of assumptions	11,538	-	11,538
Differences between expected and actual experience	29,429	-	29,429
Employer contributions	-	86,430	(86,430)
Member contributions	-	10,236	(10,236)
Net investment income	-	624,805	(624,805)
Benefit payments	(299,102)	(299,102)	-
Administrative expense	-	(18,962)	18,962
Net changes	<u>97,424</u>	<u>403,407</u>	<u>(305,983)</u>
Balances as of December 31, 2020	<u>\$4,427,418</u>	<u>\$4,405,332</u>	<u>\$ 22,086</u>

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

The following presents the net pension liability of the Township calculated using the discount rate 7.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability (asset)	<u>\$420,227</u>	<u>\$22,086</u>	<u>\$(320,006)</u>

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

For the year ended December 31, 2020, the Township recognized negative pension expense of \$87,788. At December 31, 2020, the Township reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$14,714	\$ 41,591
Changes in assumptions	28,058	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>417,382</u>
	<u>\$42,772</u>	<u>\$458,973</u>

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

Year ended December 31,

2021	\$(120,403)
2022	(65,564)
2023	(159,365)
2024	<u>(70,869)</u>
	<u>\$(416,201)</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 2.50%
- Salary increases – 3.00% per year
- Mortality rates – Pub-2010 mortality tables for males and females, projected from 2010 with Mortality Improvement Scale MP-2020

(9) NONUNIFORM DEFINED CONTRIBUTION PLAN

The Township sponsors a defined contribution pension plan (the "**Defined Contribution Plan**"). The Defined Contribution Plan covers all full-time nonuniform employees of the Township who are hired after January 10, 2010. The assets of the Defined Contribution Plan, totaled \$494,706 as of December 31, 2020, are invested separately, and may be used only for the payment of benefits to the members of the Defined Contribution Plan. Investments are managed by the Defined Contribution Plan's administrator under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants. The Township has no management control over the assets of the Defined Contribution Plan. Accordingly, the assets of the Defined Contribution Plan are not included in these financial statements.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Eligibility

Full-time non-uniformed employees are eligible to join the Defined Contribution Plan on the first day of employment.

Contributions

The Township contributes 10.00% of compensation and employees are not required to contribute to the Defined Contribution Plan. The Township's contributions totaled \$105,234 for 2020.

Normal Retirement

A member's full account is payable upon retirement at age 60 and five years of vesting service.

Death Benefits

If a member dies while an active member of the Defined Contribution Plan, his account will be 100% vested and payable to the member's spouse or designated beneficiary or beneficiaries.

(10) DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to those employees who meet the eligibility requirements set forth in the deferred compensation plan, permits employees to defer a portion of their salary until future years. Assets of the deferred compensation plan totaled \$2,212,900 as of December 31, 2020 are not available to employees until termination, retirement, death, disability, or unforeseeable emergency. All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Township has no liability for losses under the plan. Investments are managed by the plan's administrator under several different investment options or combinations thereof. The choice of the investment option(s) is made by the participants. The Township has no management control over the assets of the deferred compensation plan. Accordingly, the assets of the Deferred Compensation Plan are not included in these financial statements.

(11) CONTINGENCIES AND COMMITMENTS

Bulk Wastewater Treatment Agreements

The Township has entered into agreements with four other municipal authorities which provide for the treatment of a portion of the wastewater collected by the Township. For the year ended December 31, 2020, the Township purchased wastewater treatment services under these agreements totaling \$1,079,175.

Government Grants and Awards

The Township receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Township officials do not expect any significant adjustments as a result of these examinations.

Litigation

The Township is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

EASTTOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(12) RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2021, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EASTTOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS

Year ended December 31, 2020

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUES			
Taxes			
Real estate taxes	\$ 4,095,000	\$ 4,002,889	\$ (92,111)
Real estate transfer taxes	<u>650,000</u>	<u>732,837</u>	<u>82,837</u>
Total taxes	4,745,000	4,735,726	(9,274)
Licenses and permits	269,000	295,031	26,031
Fines and forfeits	32,500	33,258	758
Interest, rents and royalties	26,000	11,159	(14,841)
Intergovernmental revenues	373,382	392,276	18,894
Charges for services	1,129,500	1,141,111	11,611
Miscellaneous	<u>10,000</u>	<u>41,861</u>	<u>31,861</u>
Total revenues	<u>6,585,382</u>	<u>6,650,422</u>	<u>65,040</u>
EXPENDITURES			
Current			
General government			
Executive	577,138	668,567	(91,429)
Auditing services/financial administration	162,041	163,359	(1,318)
General government buildings and plants	<u>129,324</u>	<u>102,472</u>	<u>26,852</u>
Total general government	868,503	934,398	(65,895)
Public safety			
Police	3,997,681	3,894,720	102,961
Fire	520,500	516,744	3,756
UCC and code enforcement	192,187	172,232	19,955
Planning and zoning	<u>487,175</u>	<u>778,039</u>	<u>(290,864)</u>
Total public safety	5,197,543	5,361,735	(164,192)
Public works - highways and streets			
General services - administration	99,604	108,282	(8,678)
Winter maintenance - snow removal	120,000	44,660	75,340
Traffic control devices	21,000	18,712	2,288
Street lighting	2,500	237	2,263
Repairs of tools and machinery	18,000	14,271	3,729
Maintenance and repairs of roads and bridges	<u>258,232</u>	<u>267,143</u>	<u>(8,911)</u>
Total public works - highways and streets	519,336	453,305	66,031
Total expenditures	<u>6,585,382</u>	<u>6,749,438</u>	<u>(164,056)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(99,016)</u>	<u>\$ (99,016)</u>
FUND BALANCE			
Beginning of year		<u>1,506,266</u>	
End of year		<u>\$ 1,407,250</u>	

EASTTOWN TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Year ended December 31

	2020		2019		2018	
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
TOTAL PENSION LIABILITY						
Service cost	\$ 410,451	\$ 62,928	\$ 373,370	\$ 69,373	\$ 368,459	\$ 67,597
Interest on total pension liability	885,952	292,631	900,555	307,275	819,432	314,166
Changes of assumptions	583,993	11,538	564,171	224,927	-	-
Differences between expected and actual experience	43,003	29,429	(52,381)	(419,693)	-	-
Benefit payments	(615,701)	(299,102)	(634,020)	(287,302)	(602,064)	(270,458)
Net change in total pension liability	1,307,698	97,424	1,151,695	(105,420)	585,827	111,305
Total pension liability, beginning	<u>12,964,309</u>	<u>4,329,994</u>	<u>11,812,614</u>	<u>4,435,414</u>	<u>11,226,787</u>	<u>4,324,109</u>
Total pension liability, ending	<u>\$ 14,272,007</u>	<u>\$ 4,427,418</u>	<u>\$ 12,964,309</u>	<u>\$ 4,329,994</u>	<u>\$ 11,812,614</u>	<u>\$ 4,435,414</u>
PLAN FIDUCIARY NET POSITION						
Contributions - township and state aid	\$ 810,267	\$ 86,430	\$ 756,879	\$ 106,407	\$ 753,205	\$ 105,764
Member contributions	73,589	10,236	87,956	10,753	88,564	11,718
Net investment income	1,450,964	624,805	1,479,418	695,247	(389,737)	(188,690)
Benefit payments	(615,701)	(299,102)	(634,020)	(287,302)	(602,064)	(270,458)
Administrative expense	(38,020)	(18,962)	(34,024)	(17,949)	(32,336)	(18,199)
Other changes	-	-	-	-	-	-
Net change in plan fiduciary net position	1,681,099	403,407	1,656,209	507,156	(182,368)	(359,865)
Fiduciary net position, beginning	<u>8,698,845</u>	<u>4,001,925</u>	<u>7,042,636</u>	<u>3,494,769</u>	<u>7,225,004</u>	<u>3,854,634</u>
Fiduciary net position, ending	<u>\$ 10,379,944</u>	<u>\$ 4,405,332</u>	<u>\$ 8,698,845</u>	<u>\$ 4,001,925</u>	<u>\$ 7,042,636</u>	<u>\$ 3,494,769</u>
Net pension liability (asset), ending	<u>\$ 3,892,063</u>	<u>\$ 22,086</u>	<u>\$ 4,265,464</u>	<u>\$ 328,069</u>	<u>\$ 4,769,978</u>	<u>\$ 940,645</u>
Fiduciary net position as a % of total pension liability	72.73%	99.50%	67.10%	92.42%	59.62%	78.79%
Covered payroll	1,530,095	536,011	1,763,595	524,298	1,636,217	561,044
Net pension liability (asset) as a % of covered payroll	254.37%	4.12%	241.86%	62.57%	291.52%	167.66%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

2017		2016		2015		2014	
Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
\$ 350,913	\$ 64,379	\$ 335,872	\$ 75,679	\$ 272,611	\$ 106,125	\$ 259,630	\$ 101,072
778,516	307,870	748,503	305,339	607,886	275,433	584,198	269,564
50,068	9,981	-	-	882,149	189,694	-	-
(121,192)	(70,466)	-	-	718,994	123,242	-	-
<u>(565,703)</u>	<u>(306,134)</u>	<u>(660,450)</u>	<u>(267,440)</u>	<u>(553,044)</u>	<u>(324,073)</u>	<u>(502,954)</u>	<u>(260,705)</u>
492,602	5,630	423,925	113,578	1,928,596	370,421	340,874	109,931
<u>10,734,185</u>	<u>4,318,479</u>	<u>10,310,260</u>	<u>4,204,901</u>	<u>8,381,664</u>	<u>3,834,480</u>	<u>8,040,790</u>	<u>3,724,549</u>
<u>\$ 11,226,787</u>	<u>\$ 4,324,109</u>	<u>\$ 10,734,185</u>	<u>\$ 4,318,479</u>	<u>\$ 10,310,260</u>	<u>\$ 4,204,901</u>	<u>\$ 8,381,664</u>	<u>\$ 3,834,480</u>
\$ 552,344	\$ 95,406	\$ 545,803	\$ 94,864	\$ 386,662	\$ 95,929	\$ 369,573	\$ 116,851
85,000	10,684	82,276	11,880	79,289	11,498	77,149	14,373
1,007,020	535,005	375,274	217,340	41,516	24,008	40,532	27,844
(565,703)	(306,134)	(660,450)	(267,440)	(553,044)	(324,073)	(502,954)	(260,705)
(29,394)	(17,325)	(27,111)	(16,217)	(25,100)	(15,405)	(11,098)	(7,250)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,417</u>	<u>-</u>
1,049,267	317,636	315,792	40,427	(70,677)	(208,043)	(18,381)	(108,887)
<u>6,175,737</u>	<u>3,536,998</u>	<u>5,859,945</u>	<u>3,496,571</u>	<u>5,930,622</u>	<u>3,704,614</u>	<u>5,949,003</u>	<u>3,813,501</u>
<u>\$ 7,225,004</u>	<u>\$ 3,854,634</u>	<u>\$ 6,175,737</u>	<u>\$ 3,536,998</u>	<u>\$ 5,859,945</u>	<u>\$ 3,496,571</u>	<u>\$ 5,930,622</u>	<u>\$ 3,704,614</u>
<u>\$ 4,001,783</u>	<u>\$ 469,475</u>	<u>\$ 4,558,448</u>	<u>\$ 781,481</u>	<u>\$ 4,450,315</u>	<u>\$ 708,330</u>	<u>\$ 2,451,042</u>	<u>\$ 129,866</u>
64.36%	89.14%	57.53%	81.90%	56.84%	83.15%	70.76%	96.61%
1,702,992	537,915	1,612,325	614,752	1,640,045	630,057	1,440,417	587,679
234.99%	87.28%	282.73%	127.12%	271.35%	112.42%	170.16%	22.10%

EASTTOWN TOWNSHIP

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Year ended December 31, 2020

Police Pension Fund

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2011	\$ 360,780	\$ 360,780	\$ -	\$ 1,404,848	25.68%
2012	372,516	372,516	-	1,427,083	26.10%
2013	372,204	372,204	-	1,499,558	24.82%
2014	369,573	369,573	-	1,440,417	25.66%
2015	386,662	386,662	-	1,640,045	23.58%
2016	545,803	545,803	-	1,612,325	33.85%
2017	552,344	552,344	-	1,702,992	32.43%
2018	753,205	753,205	-	1,636,217	46.03%
2019	756,879	756,879	-	1,763,595	42.92%
2020	810,267	810,267	-	1,530,095	52.96%

Nonuniform Pension Fund

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2011	\$ 161,898	\$ 161,898	\$ -	\$ 1,092,715	14.82%
2012	135,105	135,105	-	822,015	16.44%
2013	111,476	111,476	-	856,097	13.02%
2014	116,851	116,851	-	587,679	19.88%
2015	95,929	95,929	-	630,057	15.23%
2016	94,864	94,864	-	614,752	15.43%
2017	95,406	95,406	-	537,915	17.74%
2018	105,764	105,764	-	561,044	18.85%
2019	106,407	106,407	-	524,298	20.30%
2020	86,430	86,430	-	536,011	16.12%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

EASTTOWN TOWNSHIP

SCHEDULE OF CHANGES IN OPEB LIABILITY

Year ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 207,324	\$ 264,965	\$ 278,424
Interest on total OPEB liability	131,412	175,980	149,126
Benefit payments	(119,466)	(85,515)	(68,727)
Changes in benefit terms	21,281	(125,928)	-
Differences between expected and actual experience	(661,926)	-	-
Changes in assumptions	<u>404,853</u>	<u>(602,079)</u>	<u>(228,282)</u>
Net change in total OPEB liability	(16,522)	(372,577)	130,541
Total OPEB liability, beginning	<u>4,372,312</u>	<u>4,744,889</u>	<u>4,614,348</u>
Total OPEB liability, ending	<u>\$ 4,355,790</u>	<u>\$ 4,372,312</u>	<u>\$ 4,744,889</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	\$ 119,466	\$ 85,515	\$ 68,727
Benefit payments	<u>(119,466)</u>	<u>(85,515)</u>	<u>(68,727)</u>
Net change in plan fiduciary net position	-	-	-
Fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset), ending	<u>\$ 4,355,790</u>	<u>\$ 4,372,312</u>	<u>\$ 4,744,889</u>
Fiduciary net position as a % of total pension liability	0.00%	0.00%	0.00%
Covered payroll	2,464,005	2,019,542	1,951,248
Net OPEB liability as a % of covered payroll	176.78%	216.50%	243.17%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

EASTTOWN TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS

December 31, 2020

	Uniformed Employees' Pension <u>Fund</u>	Non-Uniformed Employees' Pension <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 250,268	\$ 85,196	\$ 335,464
Investments	<u>10,129,676</u>	<u>4,320,136</u>	<u>14,449,812</u>
Total assets	<u>10,379,944</u>	<u>4,405,332</u>	<u>14,785,276</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$10,379,944</u>	<u>\$ 4,405,332</u>	<u>\$14,785,276</u>

EASTTOWN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS

Year ended December 31, 2020

	<u>Uniformed Employees' Pension Fund</u>	<u>Non-Uniformed Employees' Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 810,267	\$ 86,430	\$ 896,697
Member contributions	<u>73,589</u>	<u>10,236</u>	<u>83,825</u>
Total contributions	<u>883,856</u>	<u>96,666</u>	<u>980,522</u>
Investment income			
Interest and dividends	707,874	342,646	1,050,520
Realized and unrealized gain	<u>743,090</u>	<u>282,159</u>	<u>1,025,249</u>
Total investment income	<u>1,450,964</u>	<u>624,805</u>	<u>2,075,769</u>
Total additions	<u>2,334,820</u>	<u>721,471</u>	<u>3,056,291</u>
DEDUCTIONS			
Benefits paid	615,701	299,102	914,803
Administrative expenses	<u>38,020</u>	<u>18,962</u>	<u>56,982</u>
Total deductions	<u>653,721</u>	<u>318,064</u>	<u>971,785</u>
CHANGE IN NET POSITION	1,681,099	403,407	2,084,506
NET POSITION			
Beginning of year	<u>8,698,845</u>	<u>4,001,925</u>	<u>12,700,770</u>
End of year	<u><u>\$10,379,944</u></u>	<u><u>\$ 4,405,332</u></u>	<u><u>\$14,785,276</u></u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Supervisors
Easttown Township
Devon, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Easttown Township, Devon, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated April 30, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

Philadelphia, Pennsylvania
April 30, 2021