

TOWNSHIP OF FRANCONIA

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Township of Franconia
Telford, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Franconia 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Franconia, Pennsylvania, as of December 31, 2020 and the respective changes in financial position, and the respective budgetary comparison for the general fund and open space fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

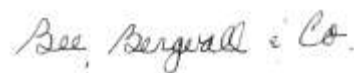
Other-Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, and the historical trend information on pages 57 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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



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

Warrington, PA
October 19, 2021

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

Our discussion and analysis of the Township of Franconia's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2020. Please read it in conjunction with the Township's financial statements that begin on page 13.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of 2020 by \$22,142,604 as outlined in the Statement of Net Position. Of this amount, \$13,858,834 represents the Township's net investment in capital assets, while \$7,343,121 represents amounts which are restricted or assigned for open space, fire protection, highway, library, capital project, and park and recreation purposes. The Township's unrestricted net position as of December 31, 2020 totaled \$940,649.
- The results of the Township's operations for the year ending December 31, 2020 as outlined in the Statement of Activities produced a positive change in net position of \$2,247,884.
- As of the close of the current calendar year, the Township's governmental funds reported a combined ending fund balance of \$9,397,737 as outlined in the Balance Sheet – Governmental Funds. Of this amount, \$7,341,584 represents amounts which are restricted or assigned as outlined above, while the total governmental funds unassigned fund balance position as of December 31, 2020 totaled \$2,056,153.
- The net positive change in the governmental funds' fund balance for the year ending December 31, 2020 as outlined in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds was \$814,099.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB).

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The statement of net position and the statement of activities (on pages 13 - 15) provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

Report Components (Continued)

The government-wide financial statements include not only the Township of Franconia itself (known as the Primary Government), but also the legally separate entity which is financially accountable to the Township (known as the component unit). The component unit is the Franconia Sewer Authority. Information for the component unit is reported separately from the financial information presented for the Township itself.

Fund Financial Statements: Fund financial statements focus separately on major Governmental Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column titled "Other Governmental Funds". Statements for the Township's Fiduciary Funds follow the Governmental Funds and include net position, additions, deductions, and changes in net position. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This management's discussion and analysis (pages 5 – 12) and the schedules of changes in the net pension liability and related ratios and schedules of contributions for both the police and non-uniform pension plans (pages 57 - 60) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Information: The combining and individual nonmajor fund statements and schedules (pages 57-62) present additional financial information which is not required by GASB to be presented, but is designed to provide the reader with additional data that supplements the basic financial statements.

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

REPORTING THE TOWNSHIP AS A WHOLE

The Township's Reporting Entity Presentation

This annual report includes all activities for which the Franconia Township Board of Supervisors is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate entities that make up the primary government.

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Township as a whole begins on page 13. The government-wide financial statements are presented on pages 13 - 15. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

These two statements report the Township's net position and changes in it. You can think of the Township's net position - the difference between assets/deferred outflows and liabilities/deferred inflows - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's tax base and the condition of the Township's roads, to assess the overall health of the Township.

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

A FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Position

The net position of both the Township and its discretely presented component unit as of December 31, 2020 and 2019, are presented below:

TABLE 1

	Governmental Activities		Discretely Presented Component Units	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 9,847,166	\$10,252,141	\$ 4,051,174	\$ 2,091,828
Other non current assets	-	-	51,491	72,575
Capital assets	<u>19,281,979</u>	<u>18,876,272</u>	<u>32,309,448</u>	<u>30,773,089</u>
Total Assets	<u>29,129,145</u>	<u>29,128,413</u>	<u>36,412,113</u>	<u>32,937,492</u>
 Deferred outflows	<u>138,595</u>	<u>195,527</u>	<u>307,104</u>	<u>344,366</u>
 Long term liabilities	6,422,237	7,641,507	14,715,511	13,092,524
Other liabilities	<u>109,744</u>	<u>1,354,978</u>	<u>1,130,598</u>	<u>1,339,863</u>
Total Liabilities	<u>6,531,981</u>	<u>8,996,485</u>	<u>15,846,109</u>	<u>14,432,387</u>
 Deferred inflows	<u>593,155</u>	<u>432,735</u>	<u>-</u>	<u>-</u>
 Net Position				
Net investment in capital assets	13,858,834	12,883,935	16,738,856	16,934,465
Restricted/Assigned	7,343,121	7,291,455	-	-
Unrestricted	<u>940,649</u>	<u>(280,670)</u>	<u>4,134,252</u>	<u>1,915,006</u>
Total Net Position	<u>\$ 22,142,604</u>	<u>\$19,894,720</u>	<u>\$20,873,108</u>	<u>\$18,849,471</u>

At the end of the current fiscal year, the Township is able to report a positive balance in each category of net position and for the government as a whole. As indicated above, the Township's unrestricted net position improved by \$1,221,319 as a result of 2020's operations. An increase in the level of net position restricted for open space maintenance was more than sufficient to offset a \$225,688 drop in the level of net position restricted for open space acquisitions. Most of the other categories of restricted/assigned net position were relatively comparable to their levels of the prior year. The Township's net position invested in capital assets, net of related debt increased primarily as a result of capital acquisitions exceeding 2020 depreciation and payments made on the Township's outstanding debt issues during 2020. The Township's overall unrestricted cash position increased by \$940,919 during 2020, while total liabilities decreased by \$2,464,504, primarily as a result of decreases in the levels of the Township's net pension liabilities, payments made on the Township's debt issues, and the reclassification of developers' escrow liabilities to the fiduciary funds in conjunction with the adoption of GASB No 84 in 2020.

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

Changes in Net Position

For the years ended December 31, 2020 and 2019, net position of both the Township and its discretely presented component unit changed as presented below:

TABLE 2

	Governmental Activities		Discretely Presented Component Units	
	2020	2019	2020	2019
REVENUES				
Program Revenues:				
Charges for services	\$ 1,060,169	\$ 1,128,655	\$ 3,148,424	\$ 2,988,393
Operating grants and contributions	889,321	1,171,251	-	-
Capital grants and contributions	35,000	116,150	2,603,890	689,067
General Revenues:				
Property taxes	1,728,424	1,666,575	-	-
Transfer tax	352,006	391,055	-	-
Earned income tax	3,526,981	3,440,627	-	-
Other taxes	388,540	410,590	-	-
Investment income (loss)	47,495	160,212	2,658	9,223
Other	289,152	324,893	-	10,800
Total Revenues	8,317,088	8,810,008	5,754,972	3,697,483
EXPENSES				
Administration	929,478	1,352,043	-	-
Permits and licenses	199,704	169,677	-	-
Police and emergency service	2,086,776	2,315,756	-	-
Public works	1,779,281	1,636,033	-	-
Library	275,185	274,194	-	-
Parks and recreation	40,969	61,844	-	-
Depreciation	270,790	257,874	-	-
Debt service	104,756	169,484	-	-
Sewer	382,265	361,448	3,731,335	3,777,269
Total Expenses	6,069,204	6,598,353	3,731,335	3,777,269
Change in Net Position	2,247,884	2,211,655	2,023,637	(79,786)
Net Position - Beginning	19,894,720	17,683,065	18,849,471	18,929,257
Net Position - Ending	\$ 22,142,604	\$ 19,894,720	\$ 20,873,108	\$ 18,849,471

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

Changes in Net Position (Continued)

Revenues from real estate and earned income taxes increased slightly, primarily as a result of continued housing and population growth and a 3.00% increase in the real estate tax millage. Operating and capital grants and contribution revenue were down by \$363,080 primarily as a result of decreases in amounts received for Act 209 impact fees and fee-in-lieu contributions for tree plantings and park and recreation projects, while revenues from charges and services were down by \$68,486, primarily as a result of a decrease in collected permit fees. Total governmental expenses decreased by \$529,149 in 2020 primarily as a result of decreases in pension expense applicable to both of the Township's pension plans and interest expense more than offsetting an increase in expense applicable to road maintenance projects.

Governmental Activities

To aid in understanding the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed first, followed by program revenues and then general revenues. The result is a net (expense)/revenue presentation. This type of format highlights the relative financial burden of each of the functions on the Township's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fee and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund had an excess of revenues over expenditures in 2020 of \$764,367 and an excess of revenues over expenditures of \$791,948 for 2019. In 2020, an operating surplus of \$31,400 was anticipated; however, actual revenues exceeded budgeted revenues by \$363,533, while actual expenses and transfers were less than budgeted expenses by \$368,609. In 2019, an operating surplus of \$42,941 was anticipated; however, actual revenues exceeded budgeted revenues by \$665,854, and actual expenses and transfers, excluding the impact of the refinance of the general fund bonds done in 2019, were more than budgeted expenses and transfers by \$83,153.

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2020 totaled \$19,281,979 (net of accumulated depreciation), while its discretely presented component unit's investment in capital assets as of that date totaled \$32,309,448. Capital asset values are summarized in the following table:

TABLE 3

	Balance	Balance
<u>Governmental Activities</u>	<u>2020</u>	<u>2019</u>
Non-Depreciable Assets		
Land	\$ 8,856,751	\$ 8,768,751
Developmental rights	5,772,202	5,733,772
Other Capital Assets		
Building and improvements	1,990,970	1,651,869
Equipment and vehicles	463,394	452,240
Infrastructure	<u>2,198,662</u>	<u>2,269,640</u>
	<u>\$ 19,281,979</u>	<u>\$ 18,876,272</u>
 <u>Component Units</u>		
Non-Depreciable Assets		
Land	\$ 354,261	\$ 354,261
Construction in progress	334,811	1,434,904
Other Capital Assets		
Sewer system and equipment	<u>31,620,376</u>	<u>28,983,924</u>
	<u>\$ 32,309,448</u>	<u>\$ 30,773,089</u>

Additional information on the Township's and component unit's capital assets can be found in Note III C on pages 39-40 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the Township had outstanding long-term liabilities totaling \$6,422,237, while its discretely presented component unit had outstanding long-term liabilities totaling \$15,570,592.

TOWNSHIP OF FRANCONIA
Management's Discussion and Analysis
Year Ended December 31, 2020

Long-Term Liabilities (continued)

Long-term liabilities are summarized in the following table:

TABLE 4

	Balance <u>2020</u>	Balance <u>2019</u>
<u>Governmental Activities</u>		
Bonds and notes payable	\$ 5,299,000	\$ 5,917,928
Capital leases	124,145	74,409
Compensated absences	45,616	78,575
Net pension liability	<u>953,476</u>	<u>1,570,595</u>
	<u>\$ 6,422,237</u>	<u>\$ 7,641,507</u>
<u>Component Unit</u>		
Bonds and notes payable	<u>\$ 15,570,592</u>	<u>\$ 13,838,624</u>

Additional information on the Township's and component unit's long-term liabilities can be found in Note III F on pages 42-45 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township of Franconia is an integral part of the Indian Valley, situated in northern Montgomery County, PA. The Township has one of the lowest real estate tax rates in the county, and based on FBI crime statistics, is consistently ranked as one of the safest communities in Pennsylvania.

Franconia Township is seeing a spurt of new residential development throughout the township, with active construction occurring, and new residents moving into Franconia Township. With residential mortgage rates low, we anticipate the interest in residential development will remain strong. There are numerous residential subdivisions in the planning process, each of which will add increased permit fees, transfer taxes, earned income taxes and real estate taxes for the township. We anticipate new construction, both residential and commercial, to continue for the foreseeable future.

New building permits, both residential and commercial, continue to be strong, as well as earned income taxes and other revenue streams. Although there remains economic uncertainty with the COVID-19 global pandemic, Franconia Township is well positioned with its diverse revenue streams, low debt levels, and low operating expenses. Franconia Township has become a very desirable community to live in based upon its low tax rate, low crime rate, and excellent school system.

The Township's real estate tax rate is expected to remain stable. The Township has done an outstanding job with managing internal staffing, while continuing to offer quality services to its residents. By keeping personnel costs low as compared to similar like-sized communities, Franconia Township should be able to continue to offer an extremely low tax rate for both businesses and residents alike.

TOWNSHIP OF FRANCONIA

STATEMENT OF NET POSITION

December 31, 2020

	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Governmental</u>	<u>Component Unit</u>
	<u>Activities</u>	<u>Franconia</u>
		<u>Sewer Authority</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 8,554,869	\$ 3,218,607
Receivables	1,292,297	884,028
Restricted cash and cash equivalents	-	30
Land and developmental rights	14,628,953	354,261
Construction in progress	-	334,811
Participation rights	-	1,532,350
Other capital assets (net of accumulated depreciation)	<u>4,653,026</u>	<u>30,088,026</u>
Total Assets	<u>29,129,145</u>	<u>36,412,113</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Unamortized deferred loss on refunding	-	307,104
Police Pension related	46,063	-
Non-Uniformed Pension related	<u>92,532</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>138,595</u>	<u>307,104</u>
<u>LIABILITIES</u>		
Accounts payable and other current liabilities	109,744	270,930
Accrued interest payable	-	4,557
Developer's escrows payable	-	30
Non-current liabilities:		
Due within one year	648,708	855,081
Due after one year	<u>5,773,529</u>	<u>14,715,511</u>
Total Liabilities	<u>6,531,981</u>	<u>15,846,109</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Police Pension related	403,192	-
Non- Uniformed Pension related	<u>189,963</u>	<u>-</u>
Total Deferred Inflows	<u>593,155</u>	<u>-</u>
<u>NET POSITION</u>		
Net investment in capital assets	13,858,834	16,738,856
Restricted		
Fire	6,215	-
Street light and fire hydrant	2,312	-
Highways	1,340,879	-
Library	3,226	-
Open space	5,161,967	-
Sewer	-	-
Park and recreation	-	-
Recycling	102,420	-
Committed		
Park and recreation	49,745	-
Assigned		
Capital	676,357	-
Unrestricted	<u>940,649</u>	<u>4,134,252</u>
Total Net Position	<u>\$ 22,142,604</u>	<u>\$ 20,873,108</u>

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

TOWNSHIP OF FRANCONIA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Total Primary Government	Governmental Activities			
		Total	Administrative	Permits & Licenses	Police and Emergency Services
Expenses:					
Program expenses	\$ 5,693,658	\$ 5,693,658	\$ 929,478	\$ 199,704	\$ 2,086,776
Depreciation	270,790	270,790	37,236	336	93,526
Interest expense	104,756	104,756	104,756	-	-
Total Expenses	<u>6,069,204</u>	<u>6,069,204</u>	<u>1,071,470</u>	<u>200,040</u>	<u>2,180,302</u>
Program Revenues:					
Charges for services	1,060,169	1,060,169	41,803	455,713	22,138
Operating grants and contributions	889,321	889,321	85,452	-	205,596
Capital grants and contributions	35,000	35,000	-	-	-
Total Program Revenues	<u>1,984,490</u>	<u>1,984,490</u>	<u>127,255</u>	<u>455,713</u>	<u>227,734</u>
Net (Expense) Revenue	(4,084,714)	(4,084,714)	(944,215)	255,673	(1,952,568)
General Revenues:					
Taxes:					
Property	1,728,424	1,728,424			
Transfer tax	352,006	352,006			
Earned income tax	3,526,981	3,526,981			
Other taxes	388,540	388,540			
Investment earnings	47,495	47,495			
Gain on sale of capital assets	825	825			
Miscellaneous	288,327	288,327			
Total General Revenues	<u>6,332,598</u>	<u>6,332,598</u>			
Change in Net Position	2,247,884	2,247,884			
Net Position - Beginning	<u>19,894,720</u>	<u>19,894,720</u>			
Net Position - Ending	<u>\$ 22,142,604</u>	<u>\$ 22,142,604</u>			

Governmental Activities				Discretely Presented Component Unit
Public Works	Library	Sewer	Park & Recreation	Franconia Township Sewer
\$ 1,779,281	\$ 275,185	\$ 382,265	\$ 40,969	\$ 2,499,051
118,006	-	-	21,686	951,022
-	-	-	-	281,262
<u>1,897,287</u>	<u>275,185</u>	<u>382,265</u>	<u>62,655</u>	<u>3,731,335</u>
499,619	-	40,896	-	3,148,424
598,273	-	-	-	-
-	-	-	35,000	2,603,890
<u>1,097,892</u>	<u>-</u>	<u>40,896</u>	<u>35,000</u>	<u>5,752,314</u>
(799,395)	(275,185)	(341,369)	(27,655)	2,020,979
				-
				-
				-
				-
				2,658
				-
				-
				<u>2,658</u>
				2,023,637
				18,849,471
				<u>\$ 20,873,108</u>

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

TOWNSHIP OF FRANCONIA

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

	<u>General</u>	<u>Open Space</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,636,804	\$ 3,255,744	\$ 2,662,321	\$ 8,554,869
Receivables	725,957	231,380	3,413	960,750
Due from other funds	-	945,417	268,676	1,214,093
Prepaid expenses	-	-	-	-
TOTAL ASSETS	<u>\$ 3,362,761</u>	<u>\$ 4,432,541</u>	<u>\$ 2,934,410</u>	<u>\$ 10,729,712</u>
<u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 100,073	\$ -	\$ 9,671	\$ 109,744
Due to other funds	1,200,417	13,676	-	1,214,093
Total Liabilities	<u>1,300,490</u>	<u>13,676</u>	<u>9,671</u>	<u>1,323,837</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	6,118	-	2,020	8,138
Total Deferred Inflows of Resources	<u>6,118</u>	<u>-</u>	<u>2,020</u>	<u>8,138</u>
<u>FUND BALANCES</u>				
Restricted for:				
Street lights & fire hydrant	-	-	2,312	2,312
Highway and streets	-	-	1,340,879	1,340,879
Fire	-	-	5,735	5,735
Open space	-	4,418,865	743,102	5,161,967
Capital projects	-	-	-	-
Library	-	-	2,169	2,169
Recycling	-	-	102,420	102,420
Committed for:				
Park and recreation	-	-	49,745	49,745
Assigned for:				
Capital projects	-	-	676,357	676,357
Unassigned	2,056,153	-	-	2,056,153
Total Fund Balances	<u>2,056,153</u>	<u>4,418,865</u>	<u>2,922,719</u>	<u>9,397,737</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,362,761</u>	<u>\$ 4,432,541</u>	<u>\$ 2,934,410</u>	<u>\$ 10,729,712</u>

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

TOWNSHIP OF FRANCONIA

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

December 31, 2020

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

Total fund balances - total governmental funds \$ 9,397,737

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

Cost of capital assets	\$ 23,428,511	
Accumulated depreciation	<u>(4,146,532)</u>	19,281,979

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

Real estate tax receivable	8,138	
Earned income tax receivable	<u>331,547</u>	339,685

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

Change in pension assumptions	89,076	
Net difference between projected and actual earnings on pension plan investments	(466,868)	
Differences between expected and actual experience on pension plan liability	<u>(76,768)</u>	(454,560)

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

Bonds and notes payable	(5,299,000)	
Compensated absences	(45,616)	
Capital leases	(124,145)	
Pension liability	<u>(953,476)</u>	
		<u>(6,422,237)</u>

Total net position of governmental activities \$ 22,142,604

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

TOWNSHIP OF FRANCONIA

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

For the Year Ended December 31, 2020

	<u>General</u>	<u>Open Space</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Property	\$ 1,301,996	\$ -	\$ 424,682	\$ 1,726,678
Transfer	352,006	-	-	352,006
Earned income	2,369,635	851,897	280,983	3,502,515
Local service	388,540	-	-	388,540
Other	4,252	-	-	4,252
Fees, licenses and permits	236,332	-	-	236,332
Investment income and rent	62,869	18,741	15,353	96,963
Intergovernmental revenues	276,256	-	576,446	852,702
Fines and forfeitures	22,138	-	-	22,138
Program revenues	997,385	-	-	997,385
Other	7,386	-	103,206	110,592
Total Revenues	<u>6,018,795</u>	<u>870,638</u>	<u>1,400,670</u>	<u>8,290,103</u>
Expenditures				
Current:				
General government	885,086	9,897	44,425	939,408
Public safety	2,472,538	-	375,626	2,848,164
Sewer	382,265	-	-	382,265
Highways and roads	1,172,611	-	605,418	1,778,029
Library	-	-	275,185	275,185
Culture and recreation	17,105	540,213	24,024	581,342
Miscellaneous	-	-	-	-
Debt service:				
Principal	125,000	481,000	59,611	665,611
Interest	30,198	65,666	7,380	103,244
Total Expenditures	<u>5,084,803</u>	<u>1,096,776</u>	<u>1,391,669</u>	<u>7,573,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>933,992</u>	<u>(226,138)</u>	<u>9,001</u>	<u>716,855</u>
Other Financing Sources (Uses)				
Debt proceeds	-	-	96,419	96,419
Sale of capital assets	825	-	-	825
Transfers in	-	450	170,000	170,450
Transfers out	(170,450)	-	-	(170,450)
Total Other Financing Sources (Uses)	<u>(169,625)</u>	<u>450</u>	<u>266,419</u>	<u>97,244</u>
Net Change in Fund Balances	764,367	(225,688)	275,420	814,099
Fund Balance - Beginning	<u>1,291,786</u>	<u>4,644,553</u>	<u>2,647,299</u>	<u>8,583,638</u>
Fund Balance - Ending	<u>\$ 2,056,153</u>	<u>\$ 4,418,865</u>	<u>\$ 2,922,719</u>	<u>\$ 9,397,737</u>

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

TOWNSHIP OF FRANCONIA

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

For the Year Ended December 31, 2020

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

Net change in fund balances-total governmental funds	\$	814,099	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	676,497	
Depreciation expense		<u>(270,790)</u>	
			405,707
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			26,160
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Repayment of debt		665,611	
Issuance of new debt		<u>(96,419)</u>	
			569,192
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Compensated absences		32,959	
Pension expense		<u>399,767</u>	
			<u>432,726</u>
Change in net position of governmental activities	\$		<u>2,247,884</u>

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

TOWNSHIP OF FRANCONIA

GENERAL FUND

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

For the Year Ended December 31, 2020

	<u>GENERAL FUND</u>			Variance with Final Budget Over (under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 1,276,743	\$ 1,276,743	\$ 1,301,996	\$ 25,253
Transfer	320,000	320,000	352,006	32,006
Earned income	2,180,000	2,180,000	2,369,635	189,635
Local service	382,500	382,500	388,540	6,040
Other	-	-	4,252	4,252
Fees, licenses and permits	260,300	260,300	236,332	(23,968)
Investment income and rent	74,305	74,305	62,869	(11,436)
Intergovernmental revenues	213,820	213,820	276,256	62,436
Fines and forfeitures	26,000	26,000	22,138	(3,862)
Program revenues	921,094	921,094	997,385	76,291
Other	500	500	7,386	6,886
Total Revenues	<u>5,655,262</u>	<u>5,655,262</u>	<u>6,018,795</u>	<u>363,533</u>
Expenditures				
Current				
General government	955,782	955,782	885,086	(70,696)
Public safety	2,711,554	2,711,554	2,472,538	(239,016)
Sewer	383,948	383,948	382,265	(1,683)
Highways and roads	1,264,730	1,264,730	1,172,611	(92,119)
Culture and recreation	31,800	31,800	17,105	(14,695)
Debt service	203,048	203,048	155,198	(47,850)
Total Expenditures	<u>5,550,862</u>	<u>5,550,862</u>	<u>5,084,803</u>	<u>(466,059)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>104,400</u>	<u>104,400</u>	<u>933,992</u>	<u>829,592</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	825	825
Transfers out	(73,000)	(73,000)	(170,450)	(97,450)
Total Other Financing Sources (Uses)	<u>(73,000)</u>	<u>(73,000)</u>	<u>(169,625)</u>	<u>(96,625)</u>
Net Change in Fund Balances	31,400	31,400	764,367	732,967
Fund Balance - Beginning	(31,400)	(31,400)	1,291,786	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,056,153</u>	

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

TOWNSHIP OF FRANCONIA

OPEN SPACE FUND

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

For the Year Ended December 31, 2020

	<u>OPEN SPACE FUND</u>			Variance with Final Budget Over (under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 750,000	\$ 750,000	\$ 851,897	\$ 101,897
Interest	20,000	20,000	18,741	(1,259)
Total Revenues	<u>770,000</u>	<u>770,000</u>	<u>870,638</u>	<u>100,638</u>
Expenditures				
Current:				
General government	12,000	12,000	9,897	(2,103)
Culture and recreation	-	-	540,213	540,213
Debt Service	<u>558,195</u>	<u>558,195</u>	<u>546,666</u>	<u>(11,529)</u>
Total Expenditures	<u>570,195</u>	<u>570,195</u>	<u>1,096,776</u>	<u>526,581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>199,805</u>	<u>199,805</u>	<u>(226,138)</u>	<u>(425,943)</u>
Other Financing Sources (Uses)				
Transfers in	<u>56,392</u>	<u>56,392</u>	<u>450</u>	<u>(55,942)</u>
Total Other Financing Sources (Uses)	<u>56,392</u>	<u>56,392</u>	<u>450</u>	<u>(55,942)</u>
Net Change in Fund Balances	<u>256,197</u>	<u>256,197</u>	<u>(225,688)</u>	<u>(481,885)</u>
Fund Balance - Beginning	<u>4,644,553</u>	<u>4,644,553</u>	<u>4,644,553</u>	
Fund Balance - Ending	<u>\$ 4,900,750</u>	<u>\$ 4,900,750</u>	<u>\$ 4,418,865</u>	

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

TOWNSHIP OF FRANCONIA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2020

	<u>Pension Trust</u>	<u>Custodial Fund</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 103,047	\$ 1,158,543
Investments, at fair value		
Mutual funds-equities	6,620,306	-
ETF	2,234,492	-
Bonds and notes	1,062,234	-
Certificates of deposits	562,817	-
Receivable	<u>8,879</u>	<u>1,158,543</u>
 TOTAL ASSETS	 <u>\$ 10,591,775</u>	 <u>\$ 1,158,543</u>
 <u>LIABILITIES</u>		
Liabilities		
Accounts payable	\$ -	\$ 19,022
Total Liabilities	<u>-</u>	<u>19,022</u>
 <u>NET POSITION</u>		
Net Position Restricted for:		
Pension Benefits	10,591,775	-
Developers and others	-	1,139,521
Total Net Position	<u>\$ 10,591,775</u>	<u>\$ 1,139,521</u>

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

TOWNSHIP OF FRANCONIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2020

	<u>Pension Trust</u>	<u>Custodial Fund</u>
Additions		
Contributions		
Member contributions	\$ 59,606	\$ -
Municipal contributions	267,143	-
State contributions	177,258	-
Escrow receipts	-	718,829
Total Contributions	<u>504,007</u>	<u>718,829</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	813,403	-
Interest and dividends	<u>353,891</u>	<u>143</u>
Total Investment Income	1,167,294	143
Less: investment expense	<u>(38,924)</u>	<u>-</u>
Net Investment Income	<u>1,128,370</u>	<u>143</u>
Total Additions	<u>1,632,377</u>	<u>718,972</u>
Deductions		
Administrative expense	7,000	-
Benefits	333,497	-
Escrow disbursements	<u>-</u>	<u>832,194</u>
Total Deductions	<u>340,497</u>	<u>832,194</u>
Change in Net Position	1,291,880	(113,222)
Net Position Restricted:		
Beginning of Year (restated)	<u>9,299,895</u>	<u>1,252,743</u>
End of Year	<u>\$ 10,591,775</u>	<u>\$ 1,139,521</u>

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

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies

A. *Reporting entity*

The Board of Supervisors (“the Board”) is the basic level of government which has financial accountability and control over all activities related to municipal functions in the Township. The Board receives funding from local, state and federal sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined by the Government Accounting Standards Board (GASB) since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary accountability for fiscal matters.

The Township follows the criteria promulgated by GASB for purposes of determining the scope of its reporting entity. As required by the Accounting Standards Board, the basic financial statements of the reporting entity include those of the Township of Franconia (the “Primary Government”) and its component unit, the Franconia Sewer Authority (the “Authority”). The Authority is considered a component unit of the Township as its governing board is appointed by the Township, the Township guarantees much of its debt and its activities are considered significant in determining the reporting entity. The financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit. Accordingly, the component unit columns in the basic financial statements include the financial data of the Authority in a separate column to emphasize that it is legally separate from the Township. Complete financial statements for the individual component unit may be obtained at the Township’s administrative offices.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fiduciary fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services which report fees and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Fund financial statements are provided for governmental funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements and any agency funds reported have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes levied but collected beyond 60 days after year-end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

Basis of Presentation - Fund Accounting and Measurement Focus

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following is a description of the fund types used by the Township in the accompanying basic financial statements.

The government reports the following major governmental funds:

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

The *Open Space Fund* - The Open Space Fund is used to account for the revenue from Earned Income Tax specified for the acquisition of open space, including development rights.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

Custodial Fund - This fund is used to account for subdivision/land development, shade tree, water/sewer, and all other types of escrows held by the Township in a custodial capacity.

Pension Trust Fund - This fund is used to account for resources required to be held in trust for the members and beneficiaries of the Township's defined benefit pension plans - the Police Pension Fund and the Non-Uniform Pension Fund.

Major revenue sources susceptible to accrual include: property taxes, earned income taxes, interest earnings, special assessments, levies, intergovernmental revenues and charges for services. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

Component Unit - Franconia Sewer Authority

The Franconia Sewer Authority (“Authority”) was incorporated under the provisions of the Pennsylvania Municipality Authorities Act of 1945, as amended and supplemented, pursuant to a resolution passed by the Supervisors of the Board of Township Supervisors of the Township of Franconia, Pennsylvania.

Basis of Accounting - The Authority follows the accounting and financial reporting standards in accordance with generally accepted accounting principles as applied to governmental units.

As a single function special purpose government, the Authority’s financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

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

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

The law provides that the government’s Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent. Investments for the government are reported at fair value.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables

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

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

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

Discretely Presented Component Unit - the Franconia Sewer Authority’s trade receivables consist of retail sewer line and treatment charges to users. Trade receivables are shown net of an allowance for uncollectible amounts. Trade receivables, in excess of 90 days past due, are evaluated for collectability and an allowance is established based on the best available information and in an amount that management deems adequate. Trade receivables are written off when deemed uncollectible and any subsequent recoveries are recorded when received. At December 31, 2020, there was no allowance for doubtful accounts as all overdue balances may be secured by filing a lien on the customer’s real property and would be collected before any property transfers.

3. Use of estimates

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

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental or business activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets are valued prospectively. Property, plant, and equipment of the primary government, as well as its component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	25-50
Fixtures and equipment	10-25
Vehicles	7-10
Infrastructure	25-50

Discretely Presented Component Unit - the Franconia Sewer Authority's Capital assets, which include property, plant, equipment, and sewer system assets, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

Capital assets are depreciated using the straight line method over the estimated useful lives of 3-50 years.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

5. *Compensated absences*

The Township permits employees to accumulate a limited amount of earned but unused sick time. These benefits are payable to employees upon separation of service. All leave pay is accrued when incurred in the government-wide financial statements.

6. *Long-term obligations*

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

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

7. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township and its component unit have the following items which qualify for reporting in this category.

1. *Changes in assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.
2. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

7. Deferred outflows/inflows of resources (continued)

- 3. Deferred charge on refunding* is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

- 1. Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- 2. Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- 3. Changes in assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.
- 4. Unavailable revenue - property taxes* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

8. *Net position*

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

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

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

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

9. *Fund balance*

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

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

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

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

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

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

9. *Fund balance (continued)*

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. The Supervisors have not delegated that authority as of December 31, 2020.

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

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

10. *Subsequent events*

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release.

11. *New Accounting Pronouncements*

GASB Statement No. 84, Fiduciary Activities (GASB 84): GASB reclassifies certain escrow deposits from liabilities in the Governmental funds to Fiduciary funds, and reclassifies escrow liabilities to Net Position Restricted for Developers and Others in the Fiduciary Funds. Escrow additions are now recorded as receipts and escrow disbursements are recorded as expenses. The beginning net position in the Fiduciary funds increased by \$1,252,743 as a result of implementing this statement.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Summary of Significant Accounting Policies (Continued)

11. New Accounting Pronouncements (continued)

GASB Statement No. 87, Leases (GASB 87): GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This Statement is expected to have an implementation date for fiscal years beginning after June 15, 2021.

II. Stewardship, Compliance, and Accountability

A. Budgetary information

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

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

Any budget revisions require the approval of Township Board of Supervisors. The Council authorized the use of unallocated fund balance in 2020. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

B. Excess of expenditures over appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in no category of the general fund. In the open space fund expenditures exceeded appropriations in the culture and recreation category by 540,213. These over expenditures were funded by greater than anticipated revenues and beginning fund balance.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds

A. *Deposits and investments*

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

As of year-end, the Township's bank balance was \$8,804,224. Of the bank balance, \$250,000 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

At year-end, the carrying amount of deposits for Franconia Sewer Authority's, a discreetly presented component unit, bank balance was \$3,583,118. Of the bank balance, \$500,000 was covered by depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Authority's name.

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

At year-end balances were as follows:

	Fair Value	Maturities in Years		
		< 1 year	1-5 years	5-10 years
Fiduciary Funds:				
Mutual funds-equities	\$ 6,620,306	\$ 6,620,306	\$ -	\$ -
U.S. Government sponsored enterprises	102,132	102,132	-	-
Corporate bonds and notes	960,102	55,361	522,431	382,310
Certificates of deposits	562,817	76,412	486,405	-
ETF	2,234,492	2,234,492	-	-
	<u>\$ 10,479,849</u>	<u>\$ 9,088,703</u>	<u>\$ 1,008,836</u>	<u>\$ 382,310</u>

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's policy regarding its fixed income investments generally limits the maximum maturity of a security to ten years. As of December 31, 2020, the Township did not have any investments maturing beyond the ten year period. See above maturities.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

A. *Deposits and investments (continued)*

Discretely Presented Component Units: Franconia Sewer Authority has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government does not have a formal investment policy for credit risk.

Discretely Presented Component Units: Franconia Sewer Authority follows state statute as it relates to certain credit ratings.

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

Discretely Presented Component Units: There were no concentrations of credit risk for Franconia Sewer Authority.

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fiduciary Funds:				
Mutual funds-equities	\$ 6,620,306	\$ 6,620,306	\$ -	\$ -
U.S. Government sponsored enterprises	102,132	102,132	-	-
Corporate bonds and notes	960,102	960,102	-	-
Certificates of deposits	562,817	-	562,817	-
ETF	<u>2,234,492</u>	<u>2,234,492</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,479,849</u>	<u>\$ 9,917,032</u>	<u>\$ 562,817</u>	<u>\$ -</u>

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

B. Receivables and due from other governments

Receivables as of year-end for the government's individual major funds, non-major funds, fiduciary funds and discretely presented component unit are as follows:

	<u>General</u>	<u>Open Space</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Receivables:						
Taxes	\$ 627,600	\$ 231,380	\$ 3,413	\$ -	\$ -	\$ 862,393
Accounts	98,357	-	-	-	806,534	904,891
Notes receivable	-	-	-	-	77,494	77,494
Other	-	-	-	8,879	-	8,879
Total Receivables	<u>\$ 725,957</u>	<u>\$ 231,380</u>	<u>\$ 3,413</u>	<u>\$ 8,879</u>	<u>\$ 884,028</u>	<u>\$ 1,853,657</u>

Discretely Presented Component Units: The Authority offers property owners in its sewer project areas the opportunity to finance certain costs of the hook-up requirements. The notes range from \$5,125 to \$18,311, bear interest at 6% and are payable over 5 to 20 years. Total notes outstanding were \$77,494 as of December 31, 2020.

Aggregate maturities on notes receivable as of December 31, 2020 are as follows:

2021	\$ 26,033
2022	6,580
2023	5,768
2024	6,128
2025	6,515
2026-2030	24,089
2031	2,381
	<u>\$ 77,494</u>

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

C. *Capital assets*

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,768,751	\$ 88,000	\$ -	\$ 8,856,751
Developmental rights	<u>5,733,772</u>	<u>38,430</u>	<u>-</u>	<u>5,772,202</u>
Total capital assets, not being depreciated	<u>14,502,523</u>	<u>126,430</u>	<u>-</u>	<u>14,628,953</u>
Capital assets, being depreciated:				
Land improvements	156,565	-	-	156,565
Building and building improvements	2,554,974	412,232	-	2,967,206
Vehicles	1,672,490	101,399	293,427	1,480,462
Fixtures and equipment	1,369,361	36,436	143,009	1,262,788
Infrastructure	<u>2,932,537</u>	<u>-</u>	<u>-</u>	<u>2,932,537</u>
Total capital assets being depreciated	<u>8,685,927</u>	<u>550,067</u>	<u>436,436</u>	<u>8,799,558</u>
Less accumulated depreciation for:				
Land improvements	89,436	8,787	-	98,223
Building and building improvements	970,234	64,344	-	1,034,578
Vehicles	1,329,759	82,007	293,427	1,118,339
Fixtures and equipment	1,259,852	44,674	143,009	1,161,517
Infrastructure	<u>662,897</u>	<u>70,978</u>	<u>-</u>	<u>733,875</u>
Total accumulated depreciation	<u>4,312,178</u>	<u>270,790</u>	<u>436,436</u>	<u>4,146,532</u>
Total capital assets, being depreciated, net	<u>4,373,749</u>	<u>279,277</u>	<u>-</u>	<u>4,653,026</u>
Governmental-type activities capital assets, net	<u>\$ 18,876,272</u>	<u>\$ 405,707</u>	<u>\$ -</u>	<u>\$ 19,281,979</u>

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

C. *Capital assets (continued)*

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Discretely presented component units				
<u>Franconia Sewer Authority</u>				
Capital assets, not being depreciated:				
Land	\$ 354,261	\$ -	\$ -	\$ 354,261
Construction in progress	<u>1,434,904</u>	<u>2,487,381</u>	<u>3,587,474</u>	<u>334,811</u>
Total capital assets not being depreciated	<u>1,789,165</u>	<u>2,487,381</u>	<u>3,587,474</u>	<u>689,072</u>
Capital assets, being depreciated:				
Sewer system infrastructure	39,603,841	3,587,474	-	43,191,315
Participation rights in other facilities	1,532,350	-	-	1,532,350
Fixtures and equipment	<u>180,410</u>	<u>-</u>	<u>-</u>	<u>180,410</u>
Total capital assets being depreciated	41,316,601	3,587,474	-	44,904,075
Accumulated depreciation	<u>12,332,677</u>	<u>951,022</u>	<u>-</u>	<u>13,283,699</u>
Total capital assets being depreciated	<u>28,983,924</u>	<u>2,636,452</u>	<u>-</u>	<u>31,620,376</u>
Component Units capital assets, net	<u>\$ 30,773,089</u>	<u>\$ 5,123,833</u>	<u>\$ 3,587,474</u>	<u>\$ 32,309,448</u>

Depreciation expense was charged to functions/programs of the primary government and the discretely presented component unit as follows:

Governmental activities:	
Administrative	\$ 37,236
Permits & licenses	336
Police and emergency services	93,526
Public works, including depreciation of general infrastructure except park systems	118,006
Park & Recreation, including depreciation related to park systems	<u>21,686</u>
Total depreciation expense - governmental activities	<u>\$ 270,790</u>
Component Unit	
Sewer	<u>\$ 951,022</u>

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2020 is as follows:

	<u>Due To</u> <u>Other Funds</u>	<u>Due From</u> <u>Other Funds</u>
General Fund	\$ 1,200,417	\$ -
Open Space	13,676	945,417
Non-major Governmental	<u>-</u>	<u>268,676</u>
Total	<u>\$ 1,214,093</u>	<u>\$ 1,214,093</u>

Interfund balances are primarily the result of certain funds paying the expenses of another fund.

Interfund transfers:

	<u>Transfer</u> <u>In</u>	<u>Transfer</u> <u>Out</u>
General Fund	\$ -	\$ 170,450
Open Space	450	-
Non-major Governmental	<u>170,000</u>	<u>-</u>
Total	<u>\$ 170,450</u>	<u>\$ 170,450</u>

The interfund transfers are a result of financing capital projects and reimbursement of expenses paid through one fund but budgeted in another.

E. Rentals

The Township leases certain of its real property to various communications companies which use it to house antennae and related property. The leases generally have initial lease terms of five years, with options to renew, and contain various escalation clauses, some of which take effect annually, while others are effective at the option renewal dates.

Rent collected under these leases during 2020 was \$26,368.

Aggregate maturities on these leases as of December 31, 2020 are as follows:

2021	\$ 27,376
2022	27,376
2023	27,376
2024	27,376
2025	27,376

The Township also rents a 2-unit farm house and farmland. These leases are renewably annually and rents collected were \$23,100 in 2020.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

F. Long-term debt

General Obligation Notes, Series 2019

The Township borrowed \$1,800,000 from Delaware Valley Regional Finance Authority, for the purpose of providing funds for and toward redeeming the GO Note Series 2015. The loan bears interest at a fixed rate of 1.738%

Guaranteed Revenue Notes of 2007

The Township borrowed \$8,500,000 from Delaware Valley Regional Finance Authority, consisting of two Guaranteed Revenue Notes, Series A of 2007, for \$2,609,000 and Series B of 2007 for \$5,891,000 for the purpose of providing funds for and toward redeeming the GO Note Series 2002, purchases of developmental rights and open space, reimburse other funds for open space purchases and cover issuance costs.

The loan agreement allowed interest on the debt to be variable or fixed for certain periods of time. The Township elected fixed rates, as summarized below:

	Series A of 2007		Series B of 2007	
	<u>Principal</u>	<u>Rate</u>	<u>Principal</u>	<u>Rate</u>
Six- year fixed, reset June 25, 2013	\$ 871,000	2.030%	\$ 1,964,000	2.030%
Nine- year fixed, reset June 25, 2016	871,000	1.605%	1,964,000	1.605%
Twelve- year fixed, reset June 25, 2019	<u>867,000</u>	1.473%	<u>1,963,000</u>	1.473%
Original borrowing	<u>\$ 2,609,000</u>		<u>\$ 5,891,000</u>	

By referendum, the Township's earned income tax was increased one-quarter percent during 2002 for the purpose of funding the acquisition of open space. The earned income tax earmarked for open space is used, in part, to fund the debt service on borrowings made for open space purposes.

Note Payable

In 2016, the Township entered into a note payable amounting to \$64,641 with Montgomery County for the purchase of police radios. The note is non-interest bearing and is to be repaid in 5 annual payments of \$12,928 and was paid in full at December 31, 2020.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

Guaranteed Sewer Revenue Bonds, Series of 2019

The Authority issued \$12,945,000 in sewer revenue notes in 2019, to be used to redeem the Guaranteed Sewer Revenue Bonds, 2013 Series and Guaranteed Sewer Revenue Note, 2015 Series.

Principal repayments on the 2019 bonds are due annually on June 25, which commenced June 25, 2020, and are scheduled in varying amounts into the year 2038. Interest rates range from 1.897% and is payable monthly.

Loan 2019

In May of 2019, the Authority secured funding in the amount of \$3.8 million to finance the cost of construction, improvement, and expansion of the sanitary sewer system. The Authority will draw down on the loan as payments are made for the construction. When the project is complete, the loan balance will be amortized over 240 months. The loan initially bears interest at a rate of 1.742% for the first 5 years and 2.178% for years 6 through maturity.

Note 2018

In 2018, the Authority entered into a note payable of \$366,522 with Telford Borough Authority for its proportionate share of the cost of the centrifuge project. The note bears interest at a rate of 2% per annum with principal and interest due in semiannual installments of \$38,662 through June 2023.

Amounts outstanding at December 31, 2020 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0% to 2.03%	<u>\$ 5,299,000</u>
Component Unit	1% to 3%	<u>\$ 15,651,852</u>

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

F. *Long-term debt (continued)*

Annual debt service requirements to maturity for notes and bonds are as follows:

Year Ending December 31	Governmental Activities		Component Unit			
	Bonds and Notes		Bonds		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 617,000	\$ 95,870	\$ 631,000	\$ 233,805	\$ 247,384	\$ 56,691
2022	628,000	91,654	643,000	221,835	251,916	52,159
2023	639,000	81,464	655,000	209,637	217,957	47,533
2024	651,000	70,605	668,000	197,212	182,745	44,006
2025	663,000	58,990	680,000	184,540	185,274	43,275
2026-2030	1,798,000	119,398	3,595,000	724,313	976,952	192,769
2031-2035	303,000	11,844	3,945,000	370,331	1,089,623	80,100
2036-2038	-	-	1,508,000	47,846	175,001	1,607
	<u>\$ 5,299,000</u>	<u>\$ 529,825</u>	<u>\$ 12,325,000</u>	<u>\$ 2,189,519</u>	<u>\$ 3,326,852</u>	<u>\$ 518,140</u>

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

	Beginning			Ending Balance	Due Within One Year
	Balance	Additions	Reductions		
Governmental activities					
Bonds and notes payable	\$ 5,905,000	\$ -	\$ 606,000	\$ 5,299,000	\$ 617,000
Note payable	12,928	-	12,928	-	-
Capital leases	74,409	96,419	46,683	124,145	31,708
Compensated absences	78,575	-	32,959	45,616	-
Net pension liability	1,570,595	1,010,902	1,628,021	953,476	-
Governmental activity Long-term liabilities	<u>\$ 7,641,507</u>	<u>\$ 1,107,321</u>	<u>\$ 2,326,591</u>	<u>\$ 6,422,237</u>	<u>\$ 648,708</u>
Component Unit					
Bonds payable	\$ 12,945,000	\$ -	\$ 620,000	\$ 12,325,000	\$ 631,000
Less deferred amounts					
for discounts and premiums on issuance	(88,882)	-	(7,622)	(81,260)	-
Note payable	982,506	2,461,622	117,276	3,326,852	224,081
Component unit long-term liabilities	<u>\$ 13,838,624</u>	<u>\$ 2,461,622</u>	<u>\$ 729,654</u>	<u>\$ 15,570,592</u>	<u>\$ 855,081</u>

Debt service for general obligation notes is funded primarily from taxes for governmental activities and charges for service in the component unit business type activities. Any liabilities for compensated absences or net pension obligations are generally liquidated by the general fund for governmental activities and the component unit for business-type activities.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

Capital Leases

The Township leases several items under capital leases which expire in 2023.

Year Ending December 31			
2021	\$ 54,062		
2022	54,062	Equipment and vehicles	\$ 197,151
2023	26,764	Accumulated depreciation	(59,545)
	134,888		\$ 137,606
Less amount representing interest	(10,743)		
	\$ 124,145		

IV. Other Information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government participates in the Delaware Valley Property and Liability Trust pool, the Delaware Valley Workers' Compensation Trust pool, and the Delaware Valley Health Trust pool. Trust underwriting and rate settling policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. Settled claims from these risks have not exceeded insurance coverage for the past three years. There was no significant reductions in insurance coverage from coverage in the prior year.

The Township participates in the Delaware Valley Property and Liability Trust. The insurance expense for the year ended December 31, 2020 was \$109,649. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2020 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Franconia Township's share was \$21,225.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2020 was \$139,854. The Trust declared a dividend in 2020 of which the Township's share was \$3,768. As a result of an audit of 2019 payroll, the Township received an additional \$521. An audit of the 2020 payroll will be performed in 2021.

The Township is also a member of the Delaware Valley Health Trust (DVHT), a public entity risk pool. The insurance expense for the year ended December 31, 2020 was \$873,806. The Trust did not declare a dividend.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

B. Contingent liabilities and Uncertainties

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

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

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Township is unable to determine if it will have a material impact to its operations.

C. Employee retirement systems and pension plans

Defined Benefit Pension Plan Description and Membership

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

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

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

Effective January 1, 2019, the Non-Uniform Pension Plan is closed to new entrants. The Township has established a defined contribution plan for Non-Uniformed employees.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Plan Description and Membership

The Pension Plans are governed by the Board of Supervisors who has established Pension Committees to serve as administrators and trustees of the pension fund. Management of the plan is vested in the Pension Board, which consists of five members appointed by resolution of the Township Board of Supervisors. The Pension Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the plan. The Township Board of Supervisors has delegated the authority to manage certain plan assets to Girard Pension Services.

The following table provides information concerning types of covered employees for the Townships' Plans as of December 31, 2020:

	<u>Police</u>	<u>Non-Uniformed</u>
Inactive employees (or their beneficiaries)		
currently receiving benefits	7	11
Inactive employees entitled to benefits		
but not yet receiving them	1	8
Active employees	<u>9</u>	<u>16</u>
	<u>17</u>	<u>35</u>

Benefits Provided

Police Pension Plan: The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 52 with at least 25 years of service. Officers may also receive a service increment equal to \$100 per month for each year of service in excess of 25 years up to a maximum of \$500 per month.

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. Covered employees are required to contribute 3% of their regular compensation and 5% of overtime compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Benefits Provided (continued)

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

The benefit provisions of the Township's Police Pension Plan are established by Township ordinances.

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not more than 36 months. The monthly pension shall be calculated as of the date of participation in the program and shall be distributed in a lump sum at retirement.

Non-Uniformed Pension Plan: The Pension Plan provides retirement benefits as well as death benefits. All benefits vest at 10% per year, graded up to 100% after ten years of credited service. Employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly, 1% of the average monthly compensation over the participant's last 5 highest consecutive years of service out of the last ten years of service. Married employees will receive joint and 50% survivor annuity. Early retirement benefits equal the vested accrued benefit and begin at age 55. The early retirement pension shall be the actuarial equivalent of a partial superannuation retirement benefit. In 2019, the benefit formula was changed from 1% of average monthly compensation for all year of service to 1% of average monthly compensation of all years of service prior to 1/1/14 plus 1.5% of average monthly compensation for all years of service on or after 1/1/14.

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

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Measurement Focus and Basis of Accounting (continued)

The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of plan administration is charged against the earnings of the plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

Method Used to Value Investments: Pension Plan investments are reported at fair value. Fair value is based on quoted market values. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions Required and Contributions Made

Employees of the Police Pension Plan and Non-Uniformed are required to make contributions, 5% of salary and 0% of salary, respectively. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$177,258 for the pensions for the year ended December 31, 2020.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Investments

Investment Policy: The Pension Board, with the assistance of Girard Pension Services, shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments or industries.

Rate of Return: For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of investment expense was 12.27% and 12.12% for Uniform and Non-Uniformed Plan, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 8,302,175	\$ 3,243,076
Plan fiduciary net position	<u>(7,992,374)</u>	<u>(2,599,401)</u>
Net pension liability	<u>\$ 309,801</u>	<u>\$ 643,675</u>

Plan fiduciary net position as a		
percentage of the total pension liability	96%	80%

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

	<u>Police</u>	<u>Non-Uniformed</u>	
Inflation	3.0%	3.0%	
Salary increases	4.0%	4.0%	(including inflation)
Investment rate of return	7.0%	7.0%	(net of pension plan investment expense, including inflation)
Cost-of -living	3.0%	None	

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Mortality rates were based on the RP-2000 Table.

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

The net pension liability was measured as of December 31, 2020 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. The asset valuation was changed from assets smoothing to market value.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Equity	55%	6.10%-8.9%
Fixed Income	45%	1.50-3.8%
Cash	0%	0.80%

Discount Rate: The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2019	\$ 7,877,696	\$ 7,014,991	\$ 862,705
Changes for the year:			
Service cost	145,798	-	145,798
Interest	552,076	-	552,076
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	345,724	(345,724)
Contributions - employee	-	55,250	(55,250)
Net investment income	-	853,304	(853,304)
Benefit payments, including refunds of employee contributions	(273,395)	(273,395)	-
Administrative expense	-	(3,500)	3,500
Other changes	-	-	-
Net Changes	424,479	977,383	(552,904)
Balance at December 31, 2020	\$ 8,302,175	\$ 7,992,374	\$ 309,801

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2019	\$ 2,997,150	\$ 2,289,260	\$ 707,890
Changes for the year:			
Service cost	91,898	-	91,898
Interest	214,130	-	214,130
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	98,677	(98,677)
Contributions - employee	-	-	-
Net investment income	-	275,066	(275,066)
Benefit payments, including refunds of employee contributions	(60,102)	(60,102)	-
Administrative expense	-	(3,500)	3,500
Other changes	-	-	-
Net Changes	245,926	310,141	(64,215)
Balance at December 31, 2020	\$ 3,243,076	\$ 2,599,401	\$ 643,675

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Net pension liability			
Police	\$ 1,307,787	\$ 309,801	\$ (528,230)
Non-Uniformed	1,010,843	643,675	329,864

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2020, the Township recognized pension expense of -\$49,158 for the Police Pension Plan and \$93,792 for the Non-Uniformed Pension. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 35,021	\$ 47,978
Change in assumptions	11,042	-
Net difference between projected and actual earnings on pension plan investments	-	355,214
Total	<u>\$ 46,063</u>	<u>\$ 403,192</u>
<u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 63,811
Change in assumptions	92,532	14,498
Net difference between projected and actual earnings on pension plan investments	-	111,654
Total	<u>\$ 92,532</u>	<u>\$ 189,963</u>

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

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

Year Ended		
<u>December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2021	\$ (108,959)	\$ (53,593)
2022	(17,741)	(46,101)
2023	(164,336)	(17,231)
2024	(66,093)	18,250
2025	-	1,244
Thereafter	-	-
Total	<u>\$ (357,129)</u>	<u>\$ (97,431)</u>

Deferred Retirement Option Program

As of December 31, 2020, there were no eligible plan members participating in the DROP program. The member is considered retired for pension purposes and the monthly benefit is being credited to a separate ledger account, which had no eligible participants at December 31, 2020. Upon a participant's termination of employment, the participant's accumulated balance will be paid in a manner as prescribed by the plan document. The balance was \$21,157 as of December 31, 2020.

D. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2020, \$1,158,543 represents the balance of these monies held in escrow.

Discretely Presented Component Units: The Authority acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Authority and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Authority. At December 31, 2020, the balance of these monies held in escrow was \$30.

TOWNSHIP OF FRANCONIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. Other Information (Continued)

E. Transactions with component unit

The Franconia Township Sewer Authority lease employees from the Township as well as rents space and uses the Township administrative services. For the year ended December 31, 2020, the Authority paid the Township \$491,921 for the afore-mentioned support.

F. Subsequent Event

In June of 2021, the Township issued a General Obligation Note, Series of 2021 in the amount of \$800,000 for the purpose of providing funds for the design and construction of the renovations and new addition to the Township Municipal Building. The Note bears an interest rate of 2.05% per annum fixed for 10 years.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWNSHIP OF FRANCONIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
RATIOS - POLICE PENSION PLAN

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 145,798	\$ 140,190	\$ 99,373	\$ 95,551
Interest	552,076	523,531	498,099	478,346
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	53,901	-	(541,532)
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(273,395)</u>	<u>(249,700)</u>	<u>(408,048)</u>	<u>(183,007)</u>
Net change in total pension liability	424,479	467,922	189,424	(150,642)
Total pension liability - beginning	<u>7,877,696</u>	<u>7,409,774</u>	<u>7,220,350</u>	<u>7,370,992</u>
Total pension liability - ending (a)	<u>\$ 8,302,175</u>	<u>\$ 7,877,696</u>	<u>\$ 7,409,774</u>	<u>\$ 7,220,350</u>
Plan fiduciary net position				
Contributions - employer	\$ 345,724	\$ 344,245	\$ 329,043	\$ 327,086
Contributions - employee	55,250	59,419	51,846	46,293
Net investment income	853,304	920,275	(300,522)	652,751
Benefit payments, including refunds of employee contributions	(273,395)	(249,700)	(408,048)	(183,007)
Administrative expense	(3,500)	(3,700)	(3,500)	(3,500)
Other	-	-	-	-
Net change in plan fiduciary net position	977,383	1,070,539	(331,181)	839,623
Plan fiduciary net position - beginning	<u>7,014,991</u>	<u>5,944,452</u>	<u>6,275,633</u>	<u>5,436,010</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,992,374</u>	<u>\$ 7,014,991</u>	<u>\$ 5,944,452</u>	<u>\$ 6,275,633</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 309,801</u>	<u>\$ 862,705</u>	<u>\$ 1,465,322</u>	<u>\$ 944,717</u>
Plan fiduciary net position as a percentage of the total pension liability	96.3%	89.0%	80.2%	86.9%
Covered payroll	\$ 1,086,899	\$ 1,063,347	\$ 910,069	\$ 888,184
Net pension liability as a percentage of covered payroll	28.5%	81.1%	161.0%	106.4%
Annual money-weighted return, net of investment expenses	12.27%	15.67%	-4.91%	12.16%

Notes to Schedule:

Assumption Changes: In 2015, the mortality assumption was changed from the UP-1984 Table to the RP-2000 Table, the interest rate assumption was increased from 6.5% to 7.0% per annum, the salary scale assumption was increased from 3.5% to 4.0% per annum, and the disability assumption was changed from a 3% load to the 1987 Group LTD rates.

Benefit Changes: None

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	156,211	\$ 150,203	\$ 148,888
	487,588	456,208	401,584
	-	-	-
	-	(118,020)	-
	-	94,898	-
	<u>(164,278)</u>	<u>(163,990)</u>	<u>(215,243)</u>
	479,521	419,299	335,229
	<u>6,891,471</u>	<u>6,472,172</u>	<u>6,136,943</u>
\$	<u>7,370,992</u>	<u>\$ 6,891,471</u>	<u>\$ 6,472,172</u>

\$	274,048	\$ 308,256	\$ 433,998
	47,470	49,944	40,035
	363,362	(72,603)	209,555
	<u>(164,278)</u>	<u>(163,990)</u>	<u>(215,243)</u>
	(3,500)	(4,200)	(3,700)
	-	-	-
	517,102	117,407	464,645
	<u>4,918,908</u>	<u>4,801,501</u>	<u>4,336,856</u>
\$	<u>5,436,010</u>	<u>\$ 4,918,908</u>	<u>\$ 4,801,501</u>

\$	<u>1,934,982</u>	<u>\$ 1,972,563</u>	<u>\$ 1,670,671</u>
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	73.7%	71.4%	74.2%
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\$	969,700	\$ 1,427,390	\$ 1,393,628
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	199.5%	138.2%	119.9%
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	7.47%	0.87%	5.57%
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TOWNSHIP OF FRANCONIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
RATIOS – NON-UNIFORMED PENSION PLAN

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 91,898	\$ 88,363	\$ 61,684	\$ 59,312
Interest	214,130	198,125	145,784	136,132
Changes of benefit terms	-	327,127	-	-
Differences between expected and actual experience	-	143,462	-	(471,142)
Changes of assumptions	-	105,672	-	(43,066)
Benefit payments, including refunds of employee contributions	<u>(60,102)</u>	<u>(62,670)</u>	<u>(62,670)</u>	<u>(57,214)</u>
Net change in total pension liability	245,926	800,079	144,798	(375,978)
Total pension liability - beginning	<u>2,997,150</u>	<u>2,197,071</u>	<u>2,052,273</u>	<u>2,428,251</u>
Total pension liability - ending (a)	<u>\$ 3,243,076</u>	<u>\$ 2,997,150</u>	<u>\$ 2,197,071</u>	<u>\$ 2,052,273</u>
Plan fiduciary net position				
Contributions - employer	\$ 98,677	\$ 101,846	\$ 117,600	\$ 117,237
Contributions - employee	-	-	-	-
Net investment income	275,066	300,795	(101,212)	207,032
Benefit payments, including refunds of employee contributions	(60,102)	(62,670)	(62,670)	(57,214)
Administrative expense	(3,500)	(3,500)	(3,500)	(3,500)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	310,141	336,471	(49,782)	263,555
Plan fiduciary net position - beginning	<u>2,289,260</u>	<u>1,952,789</u>	<u>2,002,571</u>	<u>1,739,016</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,599,401</u>	<u>\$ 2,289,260</u>	<u>\$ 1,952,789</u>	<u>\$ 2,002,571</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 643,675</u>	<u>\$ 707,890</u>	<u>\$ 244,282</u>	<u>\$ 49,702</u>
Plan fiduciary net position as a percentage of the total pension liability	80.2%	76.4%	88.9%	97.6%
Covered payroll	\$ 1,189,121	\$ 1,251,505	\$ 1,157,455	\$ 1,149,350
Net pension liability as a percentage of covered payroll	54.1%	56.6%	21.1%	4.3%
Annual money-weighted return, net of investment expenses	12.12%	15.55%	-5.10%	12.04%

Notes to Schedule:

Change in benefit terms: In 2019, the benefit formula was changed from 1% of average monthly compensation for all year of service to 1% of average monthly compensation of all years of service prior to 1/1/14 plus 1.5% of average monthly compensation for all years of service on or after 1/1/14.

Assumption Changes: In 2015, the mortality assumption was changed from the UP-1984 Table to the RP-2000 Table, the interest rate assumption was increased from 6.5% to 7.0% per annum, the salary scale assumption was increased from 3.5% to 4.0% per annum, and the disability assumption was changed from a 3% load to the 1987 Group LTD rates. In 2017 a change was made from no pre-retirement mortality to including pre-retirement mortality. In 2019, the mortality assumption was changed from the RP-2000 Table to the RP-2000 projected to 2017 using Scale AA.

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

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 52,653	\$ 50,628	\$ 56,862
160,621	150,224	124,341
-	-	-
-	(5,809)	-
-	117,860	-
<u>(53,908)</u>	<u>(54,806)</u>	<u>(52,973)</u>
159,366	258,097	128,230
<u>2,268,885</u>	<u>2,010,788</u>	<u>1,882,558</u>
<u>\$ 2,428,251</u>	<u>\$ 2,268,885</u>	<u>\$ 2,010,788</u>

\$ 100,856	\$ 109,504	\$ 113,577
-	-	-
121,886	(26,283)	65,805
(53,908)	(54,806)	(52,973)
(3,500)	(3,850)	(4,300)
<u>-</u>	<u>-</u>	<u>-</u>
165,334	24,565	122,109
<u>1,573,682</u>	<u>1,549,117</u>	<u>1,427,008</u>
<u>\$ 1,739,016</u>	<u>\$ 1,573,682</u>	<u>\$ 1,549,117</u>

<u>\$ 689,235</u>	<u>\$ 695,203</u>	<u>\$ 461,671</u>
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71.6%	69.4%	77.0%
\$ 1,149,770	\$ 1,313,266	\$ 1,186,612
59.9%	52.9%	38.9%
7.84%	-1.72%	5.35%

TOWNSHIP OF FRANCONIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2014	\$ 433,998	\$ 433,998	\$ -	\$ 1,393,628	31.14%
2015	308,256	308,256	-	1,427,390	21.60%
2016	274,048	274,048	-	969,700	28.26%
2017	327,086	327,086	-	888,184	36.83%
2018	329,043	329,043	-	910,069	36.16%
2019	344,245	344,245	-	1,063,347	32.37%
2020	345,724	345,724	-	1,086,899	31.81%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	6 years
Asset valuation method	Market
Inflation	3%
Projected salary increases	4%
Investment rate of return	7%, net of pension plan investment expense, including inflation
Retirement age	52
Mortality	Based on the RP-2000 Mortality Tables for Male or Females, as appropriate, termination rates were based on Scale T-2, and disability was based on 1987 Group LTD table for Males or Females, as appropriate.

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

Assumption changes: None since 1/1/2019

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

TOWNSHIP OF FRANCONIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Fiscal Year Ended <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual Employer <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contribution as a Percentage of Covered <u>Payroll</u>
2014	\$ 113,577	\$ 113,577	\$ -	\$ 1,186,612	9.57%
2015	109,504	109,504	-	1,313,266	8.34%
2016	100,856	100,856	-	1,149,770	8.77%
2017	117,237	117,237	-	1,149,350	10.20%
2018	117,600	117,600	-	1,157,455	10.16%
2019	101,846	101,846	-	1,251,505	8.14%
2020	98,677	98,677	-	1,189,121	8.30%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	11 years
Asset valuation method	Market
Inflation	3%
Projected salary increases	4%
Investment rate of return	7%, net of pension plan investment expense, including inflation
Retirement age	65
Mortality	Based on the RP-2000 Mortality Tables Projected to 2017 using scale AA for Males or Females, as appropriate, termination rates were based on Scale T-2, and disability was based on 1987 Group LTD table for Males or Females, as appropriate

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

Assumption changes: None since 1/1/2019

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

TOWNSHIP OF FRANCONIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue Funds					
	Street Light & Fire Hydrant	Fire Tax	Impact Fees	Library	Park and Recreation	Open Space Maintenance
<u>ASSETS</u>						
Current Assets						
Cash and cash equivalents	\$ 3,941	\$ 5,325	\$ 634,912	\$ 1,268	\$ 49,745	\$ 654,170
Receivables	194	1,006	-	2,213	-	-
Due from other funds	-	-	-	-	-	13,676
Total Assets	<u>\$ 4,135</u>	<u>\$ 6,331</u>	<u>\$ 634,912</u>	<u>\$ 3,481</u>	<u>\$ 49,745</u>	<u>\$ 667,846</u>
<u>LIABILITIES</u>						
Current Liabilities						
Accounts payable and accrued wages	\$ 1,698	\$ 4	\$ -	\$ 9	\$ -	\$ -
Total Liabilities	<u>1,698</u>	<u>4</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	125	592	-	1,303	-	-
Total Deferred Inflows of Resources	<u>125</u>	<u>592</u>	<u>-</u>	<u>1,303</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>						
Restricted for:						
Street Light & Fire Hydrant	2,312	-	-	-	-	-
Highway and streets	-	-	634,912	-	-	-
Fire	-	5,735	-	-	-	-
Library	-	-	-	2,169	-	-
Open space	-	-	-	-	-	667,846
Recycling	-	-	-	-	-	-
Committed for:						
Park and recreation	-	-	-	-	49,745	-
Assigned for:						
Capital projects	-	-	-	-	-	-
Unassigned						
Total Fund Balances	<u>2,312</u>	<u>5,735</u>	<u>634,912</u>	<u>2,169</u>	<u>49,745</u>	<u>667,846</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,135</u>	<u>\$ 6,331</u>	<u>\$ 634,912</u>	<u>\$ 3,481</u>	<u>\$ 49,745</u>	<u>\$ 667,846</u>

<u>Special Revenue Funds</u>				<u>Capital Projects Funds</u>	
<u>Highway Aid</u>	<u>Recycle</u>	<u>Tree Planting</u>	<u>Total</u>	<u>Capital Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 710,859	\$ 105,488	\$ 75,256	\$ 2,240,964	\$ 421,357	\$ 2,662,321
-	-	-	3,413	-	3,413
-	-	-	13,676	255,000	268,676
<u>\$ 710,859</u>	<u>\$ 105,488</u>	<u>\$ 75,256</u>	<u>\$ 2,258,053</u>	<u>\$ 676,357</u>	<u>\$ 2,934,410</u>
<u>\$ 4,892</u>	<u>\$ 3,068</u>	<u>\$ -</u>	<u>\$ 9,671</u>	<u>\$ -</u>	<u>\$ 9,671</u>
<u>4,892</u>	<u>3,068</u>	<u>-</u>	<u>9,671</u>	<u>-</u>	<u>9,671</u>
-	-	-	2,020	-	2,020
-	-	-	2,020	-	2,020
-	-	-	2,312	-	2,312
705,967	-	-	1,340,879	-	1,340,879
-	-	-	5,735	-	5,735
-	-	-	2,169	-	2,169
-	-	75,256	743,102	-	743,102
-	102,420	-	102,420	-	102,420
-	-	-	49,745	-	49,745
-	-	-	-	676,357	676,357
-	-	-	-	-	-
<u>705,967</u>	<u>102,420</u>	<u>75,256</u>	<u>2,246,362</u>	<u>676,357</u>	<u>2,922,719</u>
<u>\$ 710,859</u>	<u>\$ 105,488</u>	<u>\$ 75,256</u>	<u>\$ 2,258,053</u>	<u>\$ 676,357</u>	<u>\$ 2,934,410</u>

TOWNSHIP OF FRANCONIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue Funds					
	Street Light & Fire Hydrant	Fire Tax	Impact Fees	Library	Park and Recreation	Open Space Maintenance
Revenues						
Property taxes	\$ 24,322	\$ 125,113	\$ -	\$ 275,247	\$ -	\$ -
Earned income tax	-	-	-	-	-	280,983
Investment income and rent	50	263	3,872	387	254	2,545
Intergovernmental revenues	-	95,011	-	-	-	-
Other	-	-	98,180	-	5,000	-
Total Revenues	<u>24,372</u>	<u>220,387</u>	<u>102,052</u>	<u>275,634</u>	<u>5,254</u>	<u>283,528</u>
Expenditures						
Current						
General government	-	-	-	-	-	17,104
Public safety	24,208	219,011	-	-	-	-
Highways and roads	19,786	-	144,165	-	-	-
Library	-	-	-	275,185	-	-
Culture and recreation	-	-	-	-	-	1,512
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>43,994</u>	<u>219,011</u>	<u>144,165</u>	<u>275,185</u>	<u>-</u>	<u>18,616</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,622)</u>	<u>1,376</u>	<u>(42,113)</u>	<u>449</u>	<u>5,254</u>	<u>264,912</u>
Other Financing Sources (Uses)						
Debt issued	-	-	-	-	-	-
Transfers in	20,000	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	378	1,376	(42,113)	449	5,254	264,912
Fund Balance - Beginning	1,934	4,359	677,025	1,720	44,491	402,934
Fund Balance - Ending	<u>\$ 2,312</u>	<u>\$ 5,735</u>	<u>\$ 634,912</u>	<u>\$ 2,169</u>	<u>\$ 49,745</u>	<u>\$ 667,846</u>

Special Revenue Funds				Capital Projects Funds	Total Nonmajor Governmental Funds
Highway Aid	Recycle	Tree Planting	Total	Capital Reserve	
\$ -	\$ -	\$ -	\$ 424,682	\$ -	\$ 424,682
-	-	-	280,983	-	280,983
4,797	632	421	13,221	2,132	15,353
444,989	36,446	-	576,446	-	576,446
-	-	-	103,180	26	103,206
<u>449,786</u>	<u>37,078</u>	<u>421</u>	<u>1,398,512</u>	<u>2,158</u>	<u>1,400,670</u>
-	21,365	-	38,469	5,956	44,425
-	-	-	243,219	132,407	375,626
435,269	-	-	599,220	6,198	605,418
-	-	-	275,185	-	275,185
-	5,896	-	7,408	16,616	24,024
-	-	-	-	59,611	59,611
-	-	-	-	7,380	7,380
<u>435,269</u>	<u>27,261</u>	<u>-</u>	<u>1,163,501</u>	<u>228,168</u>	<u>1,391,669</u>
<u>14,517</u>	<u>9,817</u>	<u>421</u>	<u>235,011</u>	<u>(226,010)</u>	<u>9,001</u>
-	-	-	-	96,419	96,419
-	-	-	20,000	150,000	170,000
-	-	-	20,000	246,419	266,419
14,517	9,817	421	255,011	20,409	275,420
<u>691,450</u>	<u>92,603</u>	<u>74,835</u>	<u>1,991,351</u>	<u>655,948</u>	<u>2,647,299</u>
<u>\$ 705,967</u>	<u>\$ 102,420</u>	<u>\$ 75,256</u>	<u>\$ 2,246,362</u>	<u>\$ 676,357</u>	<u>\$ 2,922,719</u>

TOWNSHIP OF FRANCONIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Pension Trust Funds		
	Police Pension	Municipal Pension	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 63,175	\$ 39,872	\$ 103,047
Investments, at fair value			
Mutual funds-equities	4,951,527	1,668,779	6,620,306
ETF	1,681,802	552,690	2,234,492
Bonds and notes	834,619	227,615	1,062,234
Certificates of deposits	452,372	110,445	562,817
Receivable	8,879	-	8,879
Total Current Assets	7,992,374	2,599,401	10,591,775
 TOTAL ASSETS	 \$ 7,992,374	 \$ 2,599,401	 \$ 10,591,775
<u>NET POSITION</u>			
Net Position Restricted for:			-
Pension benefits	\$ 7,992,374	\$ 2,599,401	\$ 10,591,775

TOWNSHIP OF FRANCONIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Pension Trust Funds		
	Police Pension	Municipal Pension	Total
Additions			
Contributions			
Member contributions	\$ 59,606	\$ -	\$ 59,606
Municipal contributions	247,247	19,896	267,143
State contributions	98,477	78,781	177,258
Total Contributions	<u>405,330</u>	<u>98,677</u>	<u>504,007</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	616,007	197,396	813,403
Interest and dividends	<u>266,657</u>	<u>87,234</u>	<u>353,891</u>
Total Investment Income	882,664	284,630	1,167,294
Less: investment expense	<u>(29,360)</u>	<u>(9,564)</u>	<u>(38,924)</u>
Net Investment Income	<u>853,304</u>	<u>275,066</u>	<u>1,128,370</u>
Total Additions	<u>1,258,634</u>	<u>373,743</u>	<u>1,632,377</u>
Deductions			
Administrative expense	3,500	3,500	7,000
Benefits	<u>273,395</u>	<u>60,102</u>	<u>333,497</u>
Total Deductions	<u>276,895</u>	<u>63,602</u>	<u>340,497</u>
Net Increase	981,739	310,141	1,291,880
Net Position Restricted for Pension Benefits:			
Beginning of Year	<u>7,010,635</u>	<u>2,289,260</u>	<u>9,299,895</u>
End of Year	<u>\$ 7,992,374</u>	<u>\$ 2,599,401</u>	<u>\$ 10,591,775</u>