

TOWNSHIP OF ELIZABETH

Financial Statements and
Required Supplementary and
Supplementary Information

Year Ended December 31, 2020 with
Independent Auditor's Report

TOWNSHIP OF ELIZABETH
ELIZABETH, PENNSYLVANIA

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>PAGE(S)</u>
Independent Auditor’s Report	3-5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities.....	7
Fund Financial Statements	
Balance Sheet – Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet	
To the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures,	
And Changes in Fund Balances of Governmental Funds	
To the Statement of Activities.....	10
Statement of Net Position – Proprietary Funds	11
Statement of Revenues, Expenses and Changes in	
Fund Net Position – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13
Notes to Basic Financial Statements	14
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual – General Fund	
And Special Revenue Funds.....	50
Schedule of Changes in Net Pension Liability and Related Ratios -	
Police Pension Plan.....	51
Non-Uniformed Pension Plan	52
Sanitary Authority Pension Plan	53
Schedule of Township Contributions –	
Police Pension Plan.....	54
Non-Uniformed Pension Plan	54
Sanitary Authority Pension Plan	54

TOWNSHIP OF ELIZABETH
ELIZABETH, PENNSYLVANIA

TABLE OF CONTENTS “CONTINUED”

PAGE(S)

REQUIRED SUPPLEMENTARY INFORMATION “CONTINUED”

Notes to Required Supplementary Information – Pension Plan.....	55
Schedule of Changes in Net OPEB Liability and Related Ratios	56
Notes to Required Supplementary Information – OPEB Plan	56

SUPPLEMENTAL SECTION

Combining Balance Sheet – Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	59



Barbara A. Terek, CPA
Matthew D. Horner, CPA
Robert K. Bulloch, CPA

HORNER, WIBLE & TEREK, PC

CERTIFIED PUBLIC ACCOUNTANTS

500 Rugh Street, Greensburg, PA 15601
724-837-7141, 724-837-7172 Fax
hwt@hwtcpa.com

Independent Auditor's Report

Board of Commissioners
Township of Elizabeth

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Elizabeth (Township), Pennsylvania, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 opinions.

Opinions

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

Adoption of GASB Statements

As described in Note 2 to the financial statements, in 2020, the Township adopted several of the provisions of Governmental Accounting Standards Board including GASB Statement No. 83 "*Certain Asset Retirement Obligations*," GASB Statement No. 84 "*Fiduciary Activities*," GASB Statement No. 88 "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*," GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*," GASB Statement No. 92 requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, "*Omnibus 2020*," GASB Statement No. 97 requirements related to (1) paragraph 4, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*." Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension and other post-employment benefit information on pages 49 through 56 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Horner, Wible & Terek, PC

Horner, Wible & Terek, PC
December 21, 2021

TOWNSHIP OF ELIZABETH
STATEMENT OF NET POSITION
December 31, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 4,647,126	\$ 1,271,241	\$ 5,918,367
Restricted Cash and Cash Equivalents	0	13,122,997	13,122,997
Receivable, Net	987,893	1,674,036	2,661,929
Note Receivable	16,000	0	16,000
Prepaid Expenses	4,158	38,578	42,736
Net Pension Asset	1,231,097	319,791	1,550,888
Capital Assets (Net of Accumulated Depreciation)			
Construction in Progress	119,445	3,551,604	3,671,049
Land	2,090,650	717,788	2,808,438
Site Improvements	433,631	15,672	449,303
Building and Improvements	269,239	20,826	290,065
Plant and System and Infrastructure	3,263,342	5,952,090	9,215,432
Vehicles and Equipment	1,725,634	443,803	2,169,437
TOTAL ASSETS	14,788,215	27,128,426	41,916,641
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts from Pension Asset/Liability	341,082	0	341,082
Deferred Amounts from OPEB Liability	80,211	0	80,211
Deferred Charge on Refunding	0	131,239	131,239
TOTAL DEFERRED OUTFLOWS OF RESOURCES	421,293	131,239	552,532
LIABILITIES			
Accounts Payable and Accrued Expenses	319,493	2,190,262	2,509,755
Long-Term Liabilities Due Within One Year			
Capital Leases Payable	20,696	0	20,696
Bonds and Notes Payable	279,592	959,735	1,239,327
Long-Term Liabilities Due in More than One Year			
Capital Leases Payable	61,403	0	61,403
Bonds and Notes Payable, Net of Discount of \$198,330	1,615,873	25,718,711	27,334,584
Compensated Absences	90,607	0	90,607
Net Pension Liability	0	0	0
Net Other Post Employment Benefit Liability	1,297,719	0	1,297,719
TOTAL LIABILITIES	3,685,383	28,868,708	32,554,091
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts from Pension Asset/Liability	1,338,510	97,141	1,435,651
TOTAL DEFERRED INFLOWS OF RESOURCES	1,338,510	97,141	1,435,651
NET POSITION			
Net Investment in Capital Assets	5,924,377	(4,282,625)	1,641,752
Restricted for			
Net Pension Asset	233,669	222,650	456,319
Liquid Fuels Tax Projects	295,956	0	295,956
Fire Protection	358,299	0	358,299
Debt Service	9,271	1,852,644	1,861,915
Unrestricted	3,364,043	501,147	3,865,190
TOTAL NET POSITION	\$ 10,185,615	\$ (1,706,184)	\$ 8,479,431

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	TOTAL
<i>Governmental Activities</i>							
General Government	\$ 580,855	\$ 40,636	\$ 230,405	\$ 0	\$ (309,814)	\$ 0	\$ (309,814)
Public Safety	2,645,156	230,905	221,049	0	(2,193,202)	0	(2,193,202)
Public Works	2,673,874	0	496,445	0	(2,177,429)	0	(2,177,429)
Culture and Recreation	60,508	25,557	200	0	(34,751)	0	(34,751)
Community Development	104,096	0	0	0	(104,096)	0	(104,096)
Interest on Long-Term Debt	53,890	0	0	0	(53,890)	0	(53,890)
<i>Total Governmental Activities</i>	<u>6,118,379</u>	<u>297,098</u>	<u>948,099</u>	<u>0</u>	<u>(4,873,182)</u>	<u>0</u>	<u>(4,873,182)</u>
<i>Business-Type Activities</i>							
Sewer System Operations	<u>3,711,200</u>	<u>3,922,497</u>	<u>0</u>	<u>24,000</u>	<u>0</u>	<u>235,297</u>	<u>235,297</u>
<i>Total Business Type Activities</i>	<u>3,711,200</u>	<u>3,922,497</u>	<u>0</u>	<u>24,000</u>	<u>0</u>	<u>235,297</u>	<u>235,297</u>
Total	\$ <u>9,829,579</u>	\$ <u>4,219,595</u>	\$ <u>948,099</u>	\$ <u>24,000</u>	<u>(4,873,182)</u>	<u>235,297</u>	<u>(4,637,885)</u>
General Revenues							
Taxes							
					2,476,991	0	2,476,991
					1,680,153	0	1,680,153
					14,016	0	14,016
					293,446	0	293,446
					152,777	0	152,777
					294,145	0	294,145
					239,331	155,117	394,448
					(2,893)	0	(2,893)
					65,345	0	65,345
					53,336	0	53,336
					<u>5,266,647</u>	<u>155,117</u>	<u>5,421,764</u>
					393,465	390,414	783,879
					<u>9,792,150</u>	<u>(2,096,598)</u>	<u>7,695,552</u>
					\$ <u>10,185,615</u>	\$ <u>(1,706,184)</u>	\$ <u>8,479,431</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2020

ASSETS	MAJOR FUNDS		NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECT		
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,048,910	\$ 1,983,619	\$ 614,597	\$ 4,647,126
Receivables				
Taxes Receivable	888,904	418	414	889,736
Other Receivables	98,157	0	0	98,157
Notes Receivable	16,000	0	0	16,000
Prepaid Expenses	4,158	0	0	4,158
Due from Other Funds	0	16,017	39,244	55,261
TOTAL CURRENT ASSETS	3,056,129	2,000,054	654,255	5,710,438
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 206,534	\$ 17,638	\$ 0	\$ 224,172
Accrued Liabilities	61,951	0	0	61,951
Due to Other Funds	55,261	0	0	55,261
Other Current Liabilities	33,370	0	0	33,370
TOTAL LIABILITIES	357,116	17,638	0	374,754
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	874,143	0	0	874,143
GOVERNMENTAL FUND BALANCES				
Restricted For				
Liquid Fuels Tax Projects	0	0	295,956	295,956
Fire Protection	0	0	358,299	358,299
Capital Projects	0	1,982,416	0	1,982,416
Debt Service	9,271	0	0	9,271
Committed For Capital Projects	1,055,784	0	0	1,055,784
Unassigned	759,815	0	0	759,815
TOTAL GOVERNMENTAL FUND BALANCES	1,824,870	1,982,416	654,255	4,461,541
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 3,056,129	\$ 2,000,054	\$ 654,255	\$ 5,710,438
TOTAL GOVERNMENTAL FUND BALANCES			\$	4,461,541
Amounts reported for governmental activities in the statement of net position are different because:				
Notes receivable and real estate taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable in the funds.				
				874,143
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.				
Cost of capital assets		\$	16,115,097	
Accumulated depreciation			(8,213,156)	7,901,941
The net pension and other post-employment benefits asset (liability) and the deferred inflows and outflows of resources for pensions are not reflected on the fund financial statements.				
				(1,074,446)
Long-term liabilities are not due and payable in the current period and, therefore, are not required as liabilities in the funds.				
				(1,977,564)
TOTAL NET POSITION OF GOVERNMENTAL FUNDS			\$	10,185,615

See accompanying notes to basic financial statements.

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

	MAJOR FUNDS		NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECT		
REVENUES				
Taxes	\$ 4,319,185	\$ 0	\$ 318,467	\$ 4,637,652
Licenses and Permits	274,422	0	0	274,422
Fines and Forfeits	19,723	0	0	19,723
Interest, Rent and Royalties	225,375	9,551	4,405	239,331
Intergovernmental	465,930	0	481,969	947,899
Charges for Services	187,098	0	0	187,098
Miscellaneous	53,537	110,000	0	163,537
TOTAL REVENUES	5,545,270	119,551	804,841	6,469,662
EXPENDITURES				
Current				
General Government	528,635	0	0	528,635
Public Safety	1,901,793	0	329,308	2,231,101
Public Works	1,829,419	0	504,187	2,333,606
Culture and Recreation	61,275	0	0	61,275
Community Development	0	103,329	0	103,329
Employer Paid Benefits & Withholding	562,907	0	0	562,907
Insurance	122,720	0	0	122,720
Capital Outlay	0	88,313	0	88,313
Debt Service				
Principal	298,832	0	0	298,832
Interest	53,892	0	0	53,892
TOTAL EXPENDITURES	5,359,473	191,642	833,495	6,384,610
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	185,797	(72,091)	(28,654)	85,052
OTHER FINANCING SOURCES (USES)				
Proceeds of Capital Asset Disposition	65,345	0	0	65,345
Proceeds of Long-Term Debt	78,956	0	0	78,956
Refund of Prior Year Expenditures	392	0	0	392
Refund of Prior Year Revenues	(3,286)	0	0	(3,286)
Transfers In	59,311	332,774	0	392,085
Transfers Out	(14,755)	0	(377,330)	(392,085)
TOTAL OTHER FINANCING SOURCES (USES)	185,963	332,774	(377,330)	141,407
NET CHANGE IN FUND BALANCES	371,760	260,683	(405,984)	226,459
FUND BALANCE - BEGINNING OF YEAR	1,453,110	1,721,733	1,060,239	4,235,082
FUND BALANCE - END OF YEAR	\$ 1,824,870	\$ 1,982,416	\$ 654,255	\$ 4,461,541

See accompanying notes to basic financial statements.

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

Net Change in Fund Balance - Governmental Funds \$ 226,459

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Current year long-term debt proceeds reported as other financing sources in the governmental fund financial statements are shown as increases in the long-term debt liability in the government-wide financial statements. (78,956)

Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reduction in the debt in the government-wide financial statements. 298,832

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues, excluding those from grants, increased by this amount during the year. (20,269)

Some expenses (i.e., changes in compensated absences and pension and OPEB liabilities) 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. (32,601)

Change in Net Position of Governmental Activities \$ 393,465

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

ASSETS	ENTERPRISE - SEWER FUND
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,271,241
Accounts Receivable - User Fees	1,374,784
Accounts Receivable - Nonuser Fees	299,252
TOTAL CURRENT ASSETS	2,945,277
RESTRICTED ASSETS	
Cash and Cash Equivalents	
Debt Service	1,814,066
Capital Projects	11,308,931
Restricted Cash and Cash Equivalents	13,122,997
Investments - Capital Projects	0
TOTAL RESTRICTED ASSETS	13,122,997
CAPITAL ASSETS	
Subject to Depreciation	
Capital Assets	10,767,560
Accumulated Depreciation	(4,335,169)
Non-Depreciable Capital Assets	4,269,392
TOTAL CAPITAL ASSETS	10,701,783
OTHER ASSETS	
Prepaid Bond Insurance	38,578
Net Pension Asset	319,791
TOTAL OTHER ASSETS	358,369
TOTAL ASSETS	27,128,426
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts from Pension Plan	0
Deferred Charge on Refunding	131,239
TOTAL DEFERRED OUTFLOWS OF RESOURCES	131,239
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	2,190,262
Current Portion of Notes Payable	19,735
Current Portion of Bonds Payable	940,000
TOTAL CURRENT LIABILITIES	3,149,997
LONG-TERM LIABILITIES	
Notes Payable	2,041
Bonds Payable, Net of Discount of \$198,330	25,716,670
TOTAL NONCURRENT LIABILITIES	25,718,711
TOTAL LIABILITIES	28,868,708
DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts from Pension Plan	97,141
NET POSITION	
Net Investment in Capital Assets	(4,282,625)
Restricted - Pension Asset	222,650
Restricted - Debt Service	1,852,644
Unrestricted	501,147
TOTAL NET POSITION	\$ (1,706,184)

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>ENTERPRISE - SEWER FUND</u>
OPERATING REVENUES	
Sewer Revenue	\$ <u>3,922,497</u>
OPERATING EXPENSES	
Sewer System Operations	2,336,876
Depreciation and Amortization	231,166
General and Administrative	242,694
TOTAL OPERATING EXPENSES	<u>2,810,736</u>
OPERATING INCOME (LOSS)	<u>1,111,761</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Earned	155,117
Interest Expense	<u>(900,464)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(745,347)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	366,414
Capital Contributions - Taps	<u>24,000</u>
CHANGE IN NET POSITION	390,414
TOTAL NET POSITION - BEGINNING, AS RESTATED	<u>(2,096,598)</u>
TOTAL NET POSITION - ENDING	<u>\$ (1,706,184)</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

		ENTERPRISE - SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$	3,743,780
Cash Payments for Operating Expenses		<u>(612,199)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		\$ 3,131,581
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid on Debt		(884,383)
Interest Received on Restricted Bond Funds		7,137
Capital Contributions - Taps		24,000
Capital Assets and Related Purchases		(3,466,985)
Principal Payments on Long-Term Debt		<u>(946,680)</u>
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES		(5,266,911)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments		<u>147,980</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		<u>147,980</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,987,350)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR		<u>16,381,588</u>
CASH AND CASH EQUIVALENTS AT YEAR END		\$ <u>14,394,238</u>
Cash and Cash Equivalents - Unrestricted		\$ 1,271,241
Cash and Cash Equivalents - Restricted		<u>13,122,997</u>
		\$ <u>14,394,238</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)		\$ 1,111,761
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR)		
Depreciation and Net Amortization	\$	231,166
Changes In		
Accounts Receivable		(178,717)
Prepaid Bond Insurance		2,099
Accounts Payable		1,977,866
Pension Assets		(19,746)
Deferred Amount on Refunding		<u>7,152</u>
TOTAL ADJUSTMENTS		<u>2,019,820</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		\$ <u>3,131,581</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF ELIZABETH
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE (1) REPORTING ENTITY

The Township of Elizabeth, Pennsylvania (Township) was settled in the 1790's and was established as a Township in 1869 and is recognized as a First-Class Township under the Commonwealth of Pennsylvania. The Township operates under the Board of Commissioners (Commissioners) and provides the following services: public safety, streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Financial Reporting Entity

The criteria used by the Township to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) outside of the legal Township entity within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviews the applicability of the following criteria:

The Township is financially accountable for:

1. Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. Impose its Will – If the Township can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden – Exists if the Township (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
2. Legally separate organizations that are fiscally dependent on the Township and a financial benefit or burden relationship are present. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the Township.

Based on the foregoing criteria, the reporting entity has been defined to include all the legally separate entities for which the Township is financially accountable or for which there is a significant relationship (component units). Some component units, despite being legally separate from the Township government, are so intertwined with the Township government, whether through sharing common governing boards with the Township or through providing services solely to the Township that they are, in substance, the same as the Township government and are reported as part of the Township government. There are no component units included in the accompanying financial statements. The Township has not identified any entities that should be subject to evaluation for inclusion for the Township reporting entity.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township has chosen to present financial statements in conformance with generally accepted accounting principles for the year ended December 31, 2020.

The basic financial statements of the Township are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

A. 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 non-fiduciary activities of the Township. For the most part, the effect of inter-fund activity has been removed from these statements.

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

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

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION “Continued”

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property taxes, earned income 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.

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.

The proprietary funds are reported using the economic resources measurement focus and the *accrual basis of accounting*.

C. BASIS OF PRESENTATION

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Township uses governmental funds and proprietary funds for the sewer operations.

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34. The non-major funds are combined in a column in the fund financial statements.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between the governmental fund assets, and liabilities, and deferred outflows of resources is reported as fund balance.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

C. BASIS OF PRESENTATION “Continued”

The Township reports the following major governmental funds:

The *General Fund* is the Township’s primary operating fund. It accounts for all financial resources except those accounted for in another fund.

The *Capital Project Fund* is used to account for amounts committed by the Board of Commissioners for the acquisition, construction, or improvement of major capital facilities and infrastructure.

Additionally, the Township reports the following nonmajor governmental funds:

Special Revenue Funds

The *Liquid Fuels Fund* accounts for state aid revenues (liquid fuels taxes) received from the Pennsylvania Department of Transportation for building, improving, lighting, and maintaining roads and bridges within the Township.

The *Fire Tax Fund* accounts for 0.50 mills of the property tax levy used to support fire services in the community.

Proprietary Fund

The Township reports the following major proprietary fund:

The *Sewer Fund* is an enterprise fund used to account for the resources derived from sewer billings to Township residents and related disbursements.

D. DEPOSITS AND INVESTMENTS

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are carried at fair value. All investment transactions are recorded on the trade date.

E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds.”

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

F. CAPITAL ASSETS

Governmental Activities and Business-type Activities (Sewer Enterprise Fund)

Capital assets, including property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of \$5,000 and an estimated useful life exceeding one year. Such assets are recorded at historical costs. Donated capital assets are recorded at the estimated fair market value at the time 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 are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the current fiscal year, no interest costs were included as part of the cost of capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

Buildings	40 years
Plant and System	15-50 years
Vehicles and equipment	5-20 years

G. COMPENSATED ABSENCES

A liability for compensated absences is determined by the payments which would be available to employees if they would leave or retire from the Township. These amounts are reflected as long-term liabilities in the government-wide statements unless retirements are likely within the upcoming fiscal year. Costs associated with retirements in the immediate succeeding year are reflected as current liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

H. LONG-TERM OBLIGATIONS “Continued”

In the governmental fund financial statements, the face amount of debt issued is reported as another financing source. Premiums received on debt issuances are also 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 current period costs in both the government-wide and fund financial statements.

I. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or balance sheet can report a separate section for deferred outflows of resources. Deferred outflow of resources represents a consumption of net position and/or fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that later date. At December 31, 2020, the Township had the following items qualifying as deferred outflows of resources in the statement of net position: difference between projected and actual experience for OPEB and pension plans, changes in OPEB and pension assumptions, difference between projected and actual investment earnings on OPEB and pension plans, and pension contributions after the measurement date.

In addition to liabilities, the statement of net position can report a separate section for deferred inflows of resources. Deferred inflow of resources represents the acquisition of net position that applies to a future period(s) and which will not be recognized as an inflow of resources (revenue) until a later date. At December 31, 2020, the Township’s deferred inflows of resources presented on the governmental funds balance sheet include unavailable property tax receivables which are assessed on April 1, 2020 and prior and is not collected within 60 days of December 31, 2020. The Township’s deferred inflows of resources reported on government-wide statement of net position include the following: difference between expected and actual experience for pension plans, changes in pension assumptions, and difference between projected and actual investment earnings on pension plans.

J. INTERFUND TRANSACTIONS

The Township conducts a variety of transactions between the funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, appropriate interfund receivables and payables have been established.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES "Continued"

J. INTERFUND TRANSACTIONS "Continued"

Amounts are transferred between funds of the Township to fund certain operations and to reimburse for expenditures. These transfers are reported as other financing sources and uses on the fund financial statements with no eliminations occurring.

The government-wide financial statements report the residual amount of transfers between the governmental activities column and the business-type activities column.

K. CLASSIFICATION OF NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

- Net investment in capital assets – This component of net position groups all capital assets in one component of net position. of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. As the Township has chosen not to present governmental activities capital assets, only the related debt is presented.
- Restricted Net Position– This component of net position consists of constraints placed on assets through external restrictions, reduced by liabilities related to those assets.
- Unrestricted Net Position– This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

L. FUND BALANCE

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraints placed upon the funds. The levels are as follows:

- Nonspendable Fund Balance – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash within one year.
- Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, granters, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. At December 31, 2020, the Township had restrictions through grant agreements, government ordinance, and debt covenants.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

L. FUND BALANCE “Continued”

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraints placed upon the funds. The levels are as follows:

- Committed Fund Balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Commissioners is the highest level of decision-making authority and utilizes Township Ordinances as a formal procedure to commit fund balance. As of December 31, 2020, committed funds include funds for future capital projects.
- Assigned Fund Balance – includes amounts that are constrained by the Township’s intent to be used for specific purposes but are neither restricted nor committed. The authority to make assignments of fund balance may be made by the Township Board of Commissioners and remains in place until released. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. As of December 31, 2020, the Township had no assigned funds.
- Unassigned Fund Balance – is the residual classification for the Township’s General Fund and includes all spendable amounts not assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Township’s policy is to use funds in the order of the most restricted to the least restricted. The Township does not have a minimum fund balance policy in place.

M. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ than those estimates.

N. BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget was adopted for the General Fund on the cash basis as described above. The Township uses the following procedures in establishing the budgetary data reflected in the financial statements:

- A proposed operating budget for the fiscal year commencing the following January is submitted to the Commissioners in November.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

N. BUDGETS AND BUDGETARY ACCOUNTING “Continued”

- The budget is advertised, giving notice that the budget is available for public inspection.
- The Commissioners legally adopt the budget prior to December 31 each year.

Capital expenditures for the General Fund are shown within the department in which the funds are expended.

Appropriations may be transferred between accounts if approved by a Commissioner's resolution. The Commissioners also have the authority to enact supplemental appropriations and emergency appropriations. The level of control for the budget (the level at which disbursements cannot legally exceed budget appropriations) is the department level. The Liquid Fuels, Fire Tax, and Sewer Funds are managed by the Commissioners without a formal budget. The Project Fund is budgeted on a flexible project basis.

The Township had several negative variances in the General Fund where the amount spent exceeded the budget by department. The excess was covered by expenditures under appropriations in other line items and excess revenue over budgeted revenue.

O. ADOPTION OF ACCOUNTING PRONOUNCEMENTS

During the year ended December 31, 2020, the Township adopted the provisions of the following GASB Statements:

The Township adopted the provisions of GASB Statement No. 83 “*Certain Asset Retirement Obligations.*” The adoption of this statement had no effect on the financial reporting information of the Township.

The Township adopted the provisions of GASB Statement No. 84 “*Fiduciary Activities.*” The adoption of this statement had no effect on the financial reporting information of the Township.

The Township adopted the provisions of GASB Statement No. 88 “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*” The adoption of this statement had no effect on the financial reporting information of the Township.

The Township adopted the provisions of GASB Statement No. 90 “*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.*” The adoption of this statement had no effect on the financial reporting information of the Township.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

O. ADOPTION OF ACCOUNTING PRONOUNCEMENTS “Continued”

The Township adopted the provisions of GASB Statement No. 92 requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, “*Omnibus 2020.*” The adoption of this statement had no effect on the financial reporting information of the Township.

The Township adopted the provisions of GASB Statement No. 97 requirements related to (1) paragraph 4, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*” The adoption of this statement had no effect on the financial reporting information of the Township.

P. PENDING CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB has issued the following statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Township’s financial statements.

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

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

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

In January 2020, the GASB issued Statement No. 92, “*Omnibus 2020.*” This pronouncement has several effective dates. The Township adopted the requirements subject to immediate implementation during 2020. The Township will be required to adopt the balance of Statement No. 92 for its calendar year 2022 financial statements.

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

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Continued”

P. PENDING CHANGES IN ACCOUNTING PRONOUNCEMENTS “Continued”

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

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

In June 2020, the GASB issued Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*” This pronouncement has several effective dates. The Township adopted the requirements subject to immediate implementation during 2020. The Township is required to adopt the balance of Statement No. 97 for its calendar year 2022 financial statements.

In October 2021, the GASB issued Statement No. 98, “*The Annual Comprehensive Financial Report.*” The Township is required to adopt Statement No. 98 for its calendar year 2021 financial statements.

The Township has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE (3) DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Governmental funds are maintained in demand deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Township's policy.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (3) DEPOSITS AND INVESTMENTS “Continued”

The following provides a reconciliation of deposits and investments, as reported on the balance sheet/statements of net position to the GASB 40 disclosure:

Balance Sheet/Statement of Net Position	
Unrestricted Cash and Cash Equivalents	
Governmental Funds	\$ 4,647,126
Proprietary Fund	1,271,241
Restricted Cash and Cash Equivalents	
Proprietary Fund	13,122,997
Restricted Investments	
Proprietary Fund	0
	19,041,364
Reconciling Items	
Routine Transactions in Transit	69,060
	19,110,424
GASB 40 Disclosure	
Deposits	5,987,427
Investments	13,122,997
	\$ 19,110,424

At December 31, 2020, the Township had the following investments:

Investment Type		Weighted Average Maturity (Months)
Proprietary Fund - Restricted		
Money Market/		
Open-End Mutual Funds	\$ 13,122,997	1.13
US Treasury Notes	0	0
	\$ 13,122,997	
Portfolio Weighted Average Maturity (Months)		1.13

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. The Township does not have a formal deposit policy for custodial credit risk. The carrying amount of the Township’s deposits at December 31, 2020 was \$5,918,367 while the bank balance was \$5,987,427.

Of the bank balance, \$510,475 was covered by federal depository insurance, while remaining balance of \$5,476,952 was 100% collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (3) DEPOSITS AND INVESTMENTS “Continued”

Investments

Interest Rate Risk – the Township investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Governmental funds are maintained in demand deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Township's policy.

The Township holds short-term restricted investments in cash equivalents in the proprietary fund in the Goldman Sachs Financial Square Government Institutional Fund, which has characteristics of a mutual fund and are not bank deposits or obligations of, or guaranteed, endorsed or otherwise supported by, U.S. Bank or its parent company or any of its affiliates.

Shares of Goldman Sachs Financial Square Government Institutional Fund are not insured or guaranteed by the U.S. Government, FDIC, or any governmental agency or state. Due to this fact, these funds are not be reported as to risk category in accordance with GASB Statement No. 40. The fund has earned a Standard & Poor’s Rating Group rating of AAAM and a Moody’s Investor Services, Inc. rating of Aaa-mf. The total value in these funds as of December 31, 2020 was \$0.

Fair Value Measurement. The Township categorizes its fair value measurements within the fair value 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 - quoted prices in active markets for identical assets;
- Level 2 inputs - (A) quoted prices for similar assets or liabilities in active markets; (B) quoted prices for identical or similar assets or liabilities in markets that are not active; (C) inputs other than quoted prices that are observable for the assets or liability, such as (1) interest rates and yield curves observable at commonly quoted intervals (2) implied volatilities (3) credit spreads; (D) market-corroborated inputs.
- Level 3 inputs - unobservable inputs for an asset or liability are significant to the fair value measurement.

At December 31, 2020, all of the Township’s investments were categorized as Level 1 inputs.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (4) CAPITAL ASSETS

A summary of current year changes in capital assets for the Governmental Activities - is as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 0	\$ 119,445	\$ 0	\$ 119,445
Land	2,090,650	0	0	2,090,650
	<u>2,090,650</u>	<u>119,445</u>	<u>0</u>	<u>2,210,095</u>
Capital Assts Being Depreciated				
Building and Improvements	1,709,664	0	0	1,709,664
Site Improvements	830,114	0	0	830,114
Infrastructure	4,689,460	88,313	0	4,777,773
Vehicles and Equipment	6,607,875	104,576	(125,000)	6,587,451
Capital Assets, Being Depreciated	13,837,113	192,889	(125,000)	13,905,002
Less: Accumulated Depreciation	(7,709,026)	(629,130)	125,000	(8,213,156)
Total Capital Assets, Being Depreciated, Net	<u>6,128,087</u>	<u>(436,241)</u>	<u>0</u>	<u>5,691,846</u>
Total Capital Assets, Net	<u>\$ 8,218,737</u>	<u>\$ (316,796)</u>	<u>\$ 0</u>	<u>\$ 7,901,941</u>

A summary of current year changes in capital assets for the Business-Type Activities – Sewer Enterprise Fund - is as follows:

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>January 1, 2020</u>	<u>Accounting Estimate Change **</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>
Capital Assets, Not Being Depreciated					
Construction in Progress					
Current Projects	\$ 611,926	\$ 0	\$ 2,939,678	\$ 0	\$ 3,551,604
Other Projects - 2008 to 2013**	7,618,979	(7,618,979)	0	0	0
Lands and Rights of Way	340,188	0	377,600	0	717,788
Total Capital Assets, Not Being Depreciated	<u>8,571,093</u>	<u>(7,618,979)</u>	<u>3,317,278</u>	<u>0</u>	<u>4,269,392</u>
Capital Assts Being Depreciated					
Buildings	900,928	0	0	0	900,928
Site Improvements	51,212	0	0	0	51,212
Infrastructure	16,291,473	(8,158,178)	0	0	8,133,295
Equipment	1,457,669	0	0	0	1,457,669
Vehicles	74,748	0	149,707	0	224,455
Capital Assets, Being Depreciated	18,776,030	(8,158,178)	149,707	0	10,767,559
Less: Accumulated Depreciation	(12,159,123)	8,055,121	(231,166)	0	(4,335,168)
Total Capital Assets, Being Depreciated, Net	<u>6,616,907</u>	<u>(103,057)</u>	<u>(81,459)</u>	<u>0</u>	<u>6,432,391</u>
Total Capital Assets, Net	<u>\$ 15,188,000</u>	<u>\$ (7,722,036)</u>	<u>\$ 3,235,819</u>	<u>\$ 0</u>	<u>\$ 10,701,783</u>

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (5) FIRE COMPANY LOAN

On August 19, 2011, the Township entered into an agreement to loan \$30,000 the Greenock Volunteer Fire Company (GVFC). The loan was amended on October 11, 2018 to extend the repayment term from fifteen (15) years to twenty (20) years. Due to the repayment extension, equal yearly installments decreased from \$2,000 a year to \$1,500 annually. The interest rate remained at 0.00%. The loan is collateralized with a security interest in a certificate of deposit and a ladder truck owned by the GVFC. The balance due to the Township as of December 31, 2020 was \$16,000.

NOTE (6) LONG-TERM DEBT

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

	January 1, 2020	Acquisition of Debt	Retirements	December 31, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds 2017	\$ 1,635,000	\$ 0	\$ (110,000)	\$ 1,525,000	\$ 115,000
Note Payable - Dump Truck	0	78,956	(2,461)	76,495	13,759
Note Payable - Mack Truck	396,437	0	(132,373)	264,064	129,198
Note Payable - Equipment	31,940	0	(22,406)	9,534	9,534
Note Payable - Equipment	32,117	0	(11,745)	20,372	12,101
Note Payable - Police Vehicles	101,946	0	(19,847)	82,099	20,696
Total Governmental Activities	<u>\$ 2,197,440</u>	<u>\$ 78,956</u>	<u>\$ (298,832)</u>	<u>\$ 1,977,564</u>	<u>\$ 300,288</u>
Business-Type Activities					
Note Payable - Equipment	\$ 25,898	\$ 0	\$ (14,098)	\$ 11,800	\$ 11,800
Note Payable - Equipment	17,558	0	(7,582)	9,976	7,935
Sewer Revenue Bonds, Series 2012	12,250,000	0	(500,000)	11,750,000	505,000
Sewer Revenue Bonds, Series 2019A	7,470,000	0	(250,000)	7,220,000	255,000
Sewer Revenue Bonds, Series 2019B	8,060,000	0	(175,000)	7,885,000	180,000
Total Business-Type Activities	<u>\$ 27,823,456</u>	<u>\$ 0</u>	<u>\$ (946,680)</u>	<u>\$ 26,876,776</u>	<u>\$ 959,735</u>

Governmental Activities

General Obligation Bonds 2017

On September 26, 2017, the Township issued the General Obligation Bonds Series of 2017 in the amount of \$1,885,000 with interest rates ranging from 2.00% to 2.30%. The Township issued the bonds for refunding, on a current basis, the Series of 2011 bonds in the amount of \$1,790,000 with interest rates ranging from 1.00% to 4.00%. As a result, the Series of 2011 bonds are considered defused, and the Township has removed the liability from its accounts. The Series of 2017 bonds decreased total debt service payments over the next 15 years by \$78,317. The 2017 bonds are due serially through December 2032. Payments are made semi-annually on June 1 and December 1. The proceeds of \$1,814,238, after issue costs of \$70,761 and sinking fund deposit of \$9,271, were used to refund the Series of 2011 General Obligation Bonds. At December 31, 2020, the outstanding balance of the 2017 Bonds payable was \$1,525,000.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (6) LONG-TERM DEBT “Continued”

Note Payable – Mack Trucks

On April 12, 2018, the Township entered into a loan agreement for the purchase of a 2019 Mack Dump Truck in the amount of \$146,727 with interest at the rate of 3.75%. The loan is payable in 5 annual payments of \$31,837, beginning on June 30, 2018, and maturing on June 30 19, 2022. At December 31, 2020, the outstanding balance of the loan was \$60,216.

On October 22, 2019, the Township entered into a lease to own agreement for the purchase of two (2) Mack Trucks in the amount of \$307,758 with an interest rate of 4.56%. The loan is payable in three (3) annual payments of \$108,944, beginning March 2020 and maturing in March 2022. At December 31, 2020, the outstanding balance of the loan was \$203,848.

Note Payable – Equipment

On May 19, 2016, the Township entered into a loan agreement for the purchase of a John Deere tractor and boom cradle in the amount of \$107,000 with interest at the rate of 2.92%. The loan is payable in 60 monthly payments of \$1,921, beginning on June 19, 2016, and maturing on May 19, 2021. At December 31, 2020, the outstanding balance of the loan was \$9,534.

On September 6, 2017, the Township entered into a loan agreement for the purchase of a Toro Groundskeeper in the amount of \$58,195 with interest at the rate of 2.95%. The loan is payable in 60 monthly payments of \$1,045, beginning on October 6, 2017, and maturing on September 6, 2022. At December 31, 2020, the outstanding balance of the loan was \$20,372.

Note Payable – Police Vehicles

On September 16, 2019, the Township entered into a loan agreement for the purchase of three (3) Dodge Chargers in the amount of \$106,779 with an interest at the rate of 4.20%. The loan is payable in 60 monthly payments of \$1,979, beginning September 16, 2019, and maturing on September 16, 2024. At December 31, 2020, the outstanding balance of the loan was \$82,099.

On November 12, 2020, the Township entered into a loan agreement for the purchase of a 2020 Ford F-550 Chassis and aluminum dump body in the amount of \$78,956 with an interest rate of 2.75%. The loan is payable in 60 monthly payments of \$1,411 beginning December 31, 2020 and maturing on November 12, 2025. At December 31, 2020, the outstanding balance of the loan was \$76,495.

Business-Type Activities

Note Payable – Sanitation Equipment

On November 2, 2016, the Township entered into a loan agreement for the purchase of a Terex Track Loader, Forks, and Brush Cutter in the amount of \$68,088 with interest at the rate of 2.92%. The loan is payable in 60 monthly payments of \$1,222, beginning on November 15, 2016, and maturing on October 2, 2021. At December 31, 2020, the outstanding balance of the loan was \$11,800.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (6) LONG-TERM DEBT “Continued”

Note Payable – Sanitation Equipment “Continued”

On March 21, 2017, the Township entered into a loan agreement for the purchase of a Ford F-250 in the amount of \$36,719 with interest at the rate of 4.48%. The loan is payable in 60 monthly payments of \$685, beginning on April 21, 2017, and maturing on March 21, 2022. At December 31, 2020, the outstanding balance of the loan lease was \$9,976.

Sewer Revenue Bonds

On July 26, 2012, The Township of Elizabeth issued a Sewer Bond (Series 2012) in the amount of \$15,925,000. The bond bears an interest rate ranging from 0.500% to 3.800%. Interest is payable in semiannual installments on June 15 and December 15 until maturity which occurs on December 15, 2038. These bond funds were used to provide the necessary funds to advance refund all of the Authority’s Sewer Revenue, Series 2003 and the Sewer Revenue Bonds, Series 2008. The funds were also used to finance capital improvements to its sewer system, including, but not limited to, the expansion of sewer lines and the construction and improvement of new pump stations as necessary as well as to fund the debt service reserve fund and fund the payment of the costs of issuing the 2012 Bonds. At December 31, 2020, the outstanding balance of the 2012 Sewer Revenue Bonds was \$11,750,000.

On May 9, 2019, the Township of Elizabeth issued a Sewer Bond (Series 2019A) in the amount of \$7,800,000. The bond bears an interest rate ranging from 2.000% to 3.125%. Interest is payable in semiannual installments on June 15 and December 15 until maturity which occurs on December 15, 2039. These issued bonds provided funds which were used to refund, on a current basis, all of the Township’s outstanding Sewer Revenue Bonds, Series 2009 in the outstanding principal amount of \$6,590,000 plus accrued interest to the date of redemption on May 9, 2019. These bond funds were also used to fund a portion of the costs of planning, designing, acquiring, constructing, and installing various capital improvements to its sewer system in order to comply with a consent order and agreement with the Pennsylvania Department of Environmental Protection. And finally, the bonds were used to partially fund the debt service reserve fund and fund the payment of the costs of issuing and insuring the 2019A Bonds. At December 31, 2020, the outstanding balance of the 2019A Sewer Revenue Bonds was \$7,220,000.

On May 28, 2019, the Township issued a Sewer Bond (Series 2019B) in the amount of \$8,345,000. The bond bears an interest rate ranging from 2.000% to 3.250%. Interest is payable in semiannual installments on June 15 and December 15 until maturity which occurs on December 15, 2041. These issued bonds provided funds which were used to refund, on a current basis, all of the Township’s outstanding Sewer Revenue Bonds, Series 2011 in the outstanding principal amount of \$7,170,000 plus accrued interest to the date of redemption on May 28, 2019.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (6) LONG-TERM DEBT “Continued”

Sewer Revenue Bonds “Continued”

These bond funds were also used to fund a portion of the costs of planning, designing, acquiring, constructing, and installing various capital improvements to its sewer system in order to comply with a consent order and agreement with the Pennsylvania Department of Environmental Protection. And finally, the bonds were used to partially fund the debt service reserve fund and fund the payment of the costs of issuing and insuring the 2019B Bonds. At December 31, 2020, the outstanding balance of the 2019A Sewer Revenue Bonds was \$7,885,000.

The following schedule summarizes the future debt service and capital lease requirements of the Township as of December 31, 2020:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 300,288	\$ 53,743	\$ 354,031	\$ 959,735	\$ 831,670	\$ 1,791,405
2022	295,121	44,233	339,354	972,041	806,823	1,778,864
2023	158,339	34,571	192,910	1,000,000	780,958	1,780,958
2024	148,587	30,789	179,376	1,025,000	753,343	1,778,343
2025	135,229	27,734	162,963	1,050,000	724,500	1,774,500
2026-2030	650,000	96,015	746,015	5,700,000	3,172,358	8,872,358
2031-2035	290,000	13,050	303,050	6,625,000	2,247,913	8,872,913
2036-2040		0	0	7,825,000	1,066,821	8,891,821
2041-2045	0	0	0	1,720,000	55,900	1,775,900
Total	<u>\$ 1,977,564</u>	<u>\$ 300,135</u>	<u>\$ 2,277,699</u>	<u>\$ 26,876,776</u>	<u>\$ 10,440,286</u>	<u>\$ 37,317,062</u>

Compensated Absences

Township employees accumulate sick days. All employees earn ten sick days each year. Employees have the option to be paid for sick days once they accumulate a hundred days. Administration and Police are paid for sick days at a rate of fifty percent of their current rate. Road department employees are paid \$40 for each sick day. Accrued compensated absences as of December 31, 2020 total \$90,607.

NOTE (7) REAL ESTATE TAXES

Real estate taxes for the Township for the year ended December 31, 2020 was 3.926 mills (\$3.926 per \$1,000 of assessed valuation). One-half mill was designated for the Fire Tax Fund; the other millage was all for general purposes. Total assessed value was \$653,385,087, at 100% market value in 2020.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (7) REAL ESTATE TAXES “Continued”

Tax levy dates for the Township of Elizabeth are as follows:

April 1	Levy date
April 1 – April 30	2% discount period
May 1 – June 30	Face payment period
July 1	10% penalty period

Taxpayers may pay at penalty for a period of two years. Unpaid taxes after two years are liened.

NOTE (8) PENSION PLANS

Plan Descriptions

The Township administers three-agent multiple employer defined benefit pension plans covering full-time employees: Police Pension Plan, Non-Uniformed Pension Plan, and Sanitary Authority Plan (Plans). The Plans are affiliated with the Pennsylvania Municipal Retirement System (PMRS). Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, grants the authority to establish and amend the benefit terms to the Township’s Board of Commissioners.

The Police Pension Plan, established on September 9, 1957, covers full-time police officers of the Township. Employees are eligible to participate in the Plan after six months of continuous service. The Plan pays benefits in the event of disability, death, or retirement of participants who meet the eligibility requirements. Eligibility for the normal retirement benefit is age fifty if the employee has at least twelve years of credited service. An employee may retire early if the employee leaves with at least twenty-five years of credited service. Vesting is 100% after twelve years of service.

The pension benefit formula is based upon 2% per year of service of the Final Average Salary (FAS – average salary for last three years). The maximum benefit is limited to 50% of FAS. There is no Social Security offset. A service increment for credited service in excess of 25 years provides a maximum benefit of \$100 per month for the service increment. A member may select a reduced joint annuitant benefit at retirement. Survivor benefits include 50% of member’s benefit if eligible for retirement or retired at time of death.

Otherwise, present value of the accrued benefit will be paid to the beneficiary if an active member is eligible for retirement at the time of death. A disability benefit is provided in the Plan. If the disability is service related, the benefit is 50% of FAS. For non-service-related disability with ten years of service, the benefit is 30% of FAS.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

The Non-Uniformed Pension Plan, established on April 1, 1968, covers full-time non-uniformed employees of the Township. Employees are eligible to participate in the Plan after six months of continuous service. Eligibility for the normal retirement benefit is age sixty-two. An employee who is involuntarily terminated with eight or more years of credited service may retire early. Vesting is 100% after five years of service. If an employee voluntarily leaves employment, he or she may retire early if this individual has at least twenty-four years of credited service or fifteen years of credited service if age fifty-five or older. The Plan pays benefits in the event of disability, death, or retirement of participants who meet the eligibility requirements. The pension benefit formula is based upon 2% per year of service of the Final Average Salary (FAS – average salary for last three years). The maximum benefit is limited to 70% of FAS. There is no Social Security offset. A member may select a reduced joint annuitant benefit at retirement. Otherwise, present value of the accrued benefit will be paid to the beneficiary if an active member is eligible for retirement at the time of death. A disability benefit is provided in the Plan. If the disability is service related, the benefit is 50% of FAS. For non-service-related disability with ten years of service, the benefit is 30% of FAS.

The Sanitary Authority Plan is frozen to new participants and has 4 beneficiaries.

Plan provisions are established by ordinance with the authority for Township contributions required by Act 205 of the Commonwealth of Pennsylvania (Act 205). Neither Plan issues stand-alone financial statements as part of PMRS. PMRS issues a publicly available financing report that includes financial statements and required supplementary information. That report can be obtained by writing PMRS at P.O. Box 1429, Harrisburg, PA, 17105.

At January 1, 2020, the most recent actuarial date, membership consisted of the following:

	Police Plan	Non- Uniformed Plan	Sanitary Authority Plan
Inactive employees or beneficiaries			
currently receiving benefits	14	29	3
Inactive employees entitled to			
but not yet receiving benefits	0	3	0
Active plan members	12	15	0
Total	26	47	3

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the minimum municipal obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under Act 205; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirements established by the MMO, which exceed the Commonwealth of Pennsylvania allocation, must be funded by the Township (and could include employee contributions).

Non-uniformed employees are required to make mandatory contributions to the Plan of 3% of their annual gross wages. During 2020, police plan participants were not required to make contributions to the Plan. The MMO for the Police, Non-Uniformed, and Sanitary Authority Plans in 2020 were \$124,129, \$72,824, and \$0, respectively.

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plans at December 31, 2020, based on a measurement date of December 31, 2019, were as follows:

	<u>Police Plan</u>	<u>Non-Uniformed Plan</u>	<u>Sanitary Authority Plan</u>
Total pension liability	\$ 9,071,815	\$ 5,189,050	\$ 520,722
Plan fiduciary net position	<u>10,214,078</u>	<u>5,277,884</u>	<u>840,513</u>
Net pension liability (asset)	<u>\$ (1,142,263)</u>	<u>\$ (88,834)</u>	<u>\$ (319,791)</u>
 Plan fiduciary net position as a percentage of total pension liability	 <u>112.59%</u>	 <u>101.71%</u>	 <u>161.41%</u>

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability/(asset) of the Police Plan at December 31, 2020 were as follows:

Change in Net Pension Liability (Asset) - Police Plan

	Increase (Decrease)		
	Total		Net Pension
	Pension	Plan Fiduciary	(Asset)
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/19 (based on a measurement date of 12/31/18)	\$ 8,846,491	\$ 9,058,790	\$ (212,299)
Changes for the year:			
Service cost	224,501	0	224,501
Interest	464,219	0	464,219
Changes of benefits	0	0	0
Changes of assumptions	0	0	0
Differences between expected and actual experience	0	0	0
Contributions - employer	0	97,563	(97,563)
Contributions - PMRS assessment	0	560	(560)
Contributions - member	0	0	0
PMRS investment income	0	499,710	(499,710)
Market value investment income*	0	1,038,684	(1,038,684)
Transfers	0	0	0
Benefit payments	(463,396)	(463,396)	0
PMRS administrative expense	0	(560)	560
Additional Administrative expense	0	(17,273)	17,273
Net Changes	225,324	1,155,288	(929,964)
Balances at 12/31/20 (based on a measurement date of 12/31/19)	\$ 9,071,815	\$ 10,214,078	\$ (1,142,263)
Covered Employee Payroll			\$ 1,135,282
Net Pension Liability as a Percentage of Covered-Employee Payroll			-100.61%

*Reflects the net investment income/(loss) of \$1,339,507 and the income/(loss) due to the difference between expected and actual asset values of \$(300,823), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability/(asset) of the Non-Uniformed Plan at December 31, 2020 were as follows:

Change in Net Pension Liability (Asset) - Non-Uniformed Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 12/31/19 (based on a measurement date of 12/31/18)	\$ 5,109,989	\$ 4,526,863	\$ 583,126
Changes for the year:			
Service cost	112,576	0	112,576
Interest	266,412	0	266,412
Changes of benefits	0	0	0
Changes of assumptions	0	0	0
Differences between expected and actual experience	0	0	0
Contributions - employer	0	63,848	(63,848)
Contributions - PMRS assessment	0	900	(900)
Contributions - member	0	27,688	(27,688)
PMRS investment income	0	246,060	(246,060)
Market value investment income*	0	721,857	(721,857)
Transfers	0	0	0
Benefit payments	(299,927)	(299,927)	0
PMRS administrative expense	0	(900)	900
Additional Administrative expense	0	(8,505)	8,505
Net Changes	79,061	751,021	(671,960)
Balances at 12/31/20 (based on a measurement date of 12/31/19)	\$ 5,189,050	\$ 5,277,884	\$ (88,834)
Covered Employee Payroll			\$ 922,913
Net Pension Liability as a Percentage of Covered-Employee Payroll			-9.63%

*Reflects the net investment income/(loss) of \$659,851 and the income/(loss) due to the difference between expected and actual asset values of \$62,276, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability/(asset) of the Sanitary Authority Plan at December 31, 2020 were as follows:

Change in Net Pension Liability (Asset) - Sanitary Authority Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 12/31/19 (based on a measurement date of 12/31/18)	\$ 544,944	\$ 739,957	\$ (195,013)
Changes for the year:			
Service cost	0	0	0
Interest	27,275	0	27,275
Changes of benefits	0	0	0
Changes of assumptions	0	0	0
Differences between expected and actual experience	0	0	0
Contributions - employer, net	0	(60)	60
Contributions - PMRS assessment		60	(60)
Contributions - member	0	0	0
PMRS investment income	0	40,372	(40,372)
Market value investment income*	0	113,137	(113,137)
Transfers	0	0	0
Benefit payments	(51,497)	(51,497)	0
PMRS administrative expense	0	(60)	60
Additional Administrative expense	0	(1,396)	1,396
Net Changes	(24,222)	100,556	(124,778)
Balances at 12/31/20 (based on a measurement date of 12/31/19)	\$ 520,722	\$ 840,513	\$ (319,791)

Covered Employee Payroll \$ 0

Net Pension Liability as a Percentage of Covered-Employee Payroll NA

*Reflects the net investment income/(loss) of \$108,221 and the income/(loss) due to the difference between expected and actual asset values of \$4,916, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Actuarial Assumptions – The Total Pension Liability (TPL) for the Township is measured as of December 31, 2019 based on the actuarial valuation of the same date. The beginning of year TPL is based on the January 1, 2019 actuarial valuation with liabilities measured at December 31, 2018. The end of year TPL is based on the same actuarial valuation with liabilities rolled forward to December 31, 2019.

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Discount rate: 5.25%
- Inflation: 2.8%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 2.8% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 Non-Annuitant Male table projected 15 years with Scale AA, Females – RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
- Post-Retirement Mortality: Males – RP 2000 Annuitant Male table projected 5 years with Scale AA, Female – RP 2000 Annuitant Female table projected 10 years with Scale AA

Changes in Actuarial Assumptions – The demographic and economic assumptions were reviewed by the PMRS Board as required every four years at the July 2015 Board meeting. The Board approved updated actuarial assumptions including mortality rates, termination rates, retirement rates, and the salary scale effective January 1, 2017.

Long-Term Expected Rate of Return – The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are three steps to the method:

1. Expected future real rates of return are based primarily on the 20-year nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board’s opinion, any such asset classes are expected in the future to significantly vary from its 20-year returns.
2. The nominal rates of return by asset class are adjusted by the System’s investment expenses and an expected future annual inflation rate of 2.2% to produce the long-term expected real rates of return. This is a reduction from the previous inflation rate of 3% from the prior year.
3. The long-term expected real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations.

The results from steps 1 through 3 are presented in the chart labeled “System Nominal and Real Rates of Return by Asset Class.”

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

The following are the System Nominal and Real Rates of Return by Asset Class as of the December 31, 2019 measurement date:

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25 %	7.4 %	4.7 %
Domestic Equities (small capitalized firms)	15 %	9.8 %	7.1 %
International Equities (international developed markets)	15 %	5.5 %	2.9 %
International Equities (emerging markets)	10 %	9.9 %	7.6 %
Fixed Income	15 %	2.2 %	0.0 %
Real Estate	20 %	8.4 %	5.3 %
Total Portfolio	<u>100 %</u>	<u>7.1 %</u>	<u>4.5 %</u>

Based on the three-part analysis, the PMRS Board established the System’s long-term expected rate of return at 7.0%.

In addition to determining the System’s Long-Term Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities’ actuarial asset accounts help by PMRS. The rationale for the difference between the System’s Long-Term Expected Rate of Return and the individual participating municipalities’ Regular Interest Rate is described in the following section “Discount Rate.” As of December 31, 2019, this rate is equal to 5.25%

The PMRS’ Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table below labeled “Confidence Levels for System Nominal and Real Rates of Return” identifies simulated portfolio returns at various confidence levels.

Confidence Levels for System Nominal and Real Rates of Return

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	2.2%	-0.5%
90%	3.1%	0.5%
85%	3.8%	1.1%
80%	4.3%	1.6%
75%	4.7%	2.1%
70%	5.1%	2.4%
60%	5.8%	3.2%

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Discount Rate – The discount rate used to measure the total pension liability for the Plans was 5.25%. The PMRS Board establishes the regular interest rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of Plan participants, municipalities, and Plan retirees each year.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans’ net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one- percentage-point higher than the current rates:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net Pension (Asset) Liability:			
Police Plan	\$ 12,327	\$ (1,142,263)	\$ (2,102,720)
Non-Uniformed Plan	487,295	(88,834)	(582,334)
Sanitary Authority Plan	(277,698)	(319,791)	(356,593)

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

For the year ended December 31, 2020, the Plans recognized pension revenue of approximately \$(15,550) and \$(19,700) in the governmental activities and business-type activities, respectively. At December 31, 2020, the Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan	Non- Uniformed Plan	Sanitary Authority Plan
<u>Deferred Outflows of Resources</u>			
Difference between expected and actual experience	\$ 0	\$ 144,128	\$ 0
Changes in assumptions	0	0	0
Net difference between projected and actual investment earnings	0	0	0
Contributions subsequent to the measurement date	98,477	98,477	0
	\$ 98,477	\$ 242,605	\$ 0
<u>Deferred Inflows of Resources</u>			
Difference between expected and actual experience	\$ 109,396	\$ 0	\$ 0
Changes in assumptions	0	0	0
Net difference between projected and actual investment earnings	653,164	575,950	97,141
	\$ 762,560	\$ 575,950	\$ 97,141

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (8) PENSION PLANS “Continued”

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions “Continued”

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

Measurement Date December 31	Governmental Activities		Business- Type Activites
	Police	Non- Uniformed	Sanitary Authority
2020	\$ (291,942)	\$ (36,096)	\$ (34,451)
2021	(264,625)	(172,476)	(28,827)
2022	1,743	(78,877)	(11,233)
2023	(207,736)	(144,373)	(22,630)
2024	0	0	0
Thereafter	0	0	0
	\$ <u>(762,560)</u>	\$ <u>(431,822)</u>	\$ <u>(97,141)</u>

Pension Plan Fiduciary Net Position

Detailed information about PMRS fiduciary net position is available in PMRS Comprehensive Annual Financial Report which is available on the PMRS Website or a copy may be obtained by contacting the PMRS accounting office. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided. In addition to providing pension benefits under contractual obligations, the Township provides certain health care and life insurance benefits for certain retired employees who are covered under employment contracts. The Township does not have a formal plan document for the OPEB plan, but it operates as a single employer defined benefit plan that is not accounted for in a trust fund. An irrevocable trust has not been established, the OPEB plan does not issue a separate report, and activity of the OPEB plan is reported in the Township’s General Fund.

The benefits are provided in accordance with labor agreements. Post-retirement benefits consist of medical, dental, and vision benefits and life insurance for police officers hired before January 1, 2009 and for road department employees hired before January 1, 2012. Three current retired administrative/clerical employees have \$20,000 term life insurance provided.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)
“Continued”

The Township incurs a portion of the cost of certain healthcare benefits for retired police and road department employees from the time of retirement until Medicare comes into effect. The Township also incurs 50% of the cost of certain healthcare benefits for the Police Officer retiree’s spouse for a period not to exceed five years or until the retiree’s coverage ends, if earlier. For road department retirees, spouses may remain on coverage until the retiree’s coverage ends, with the Township paying 50% of the spouse’s premium costs. The cost of retiree healthcare benefits is recognized as an expenditure at the time the premium is paid.

Funding Policy. The contribution requirements of OPEB plan members and the Township are established and may be amended by the Township. The OPEB plan is not funded. The employer's contributions are financed on a pay-as-you-go basis. In 2020, the Township paid \$93,185 in OPEB premiums.

Employees Covered by Benefit Terms. As of January 1, 2020, the date of the most recent actuarial report, the following employees were covered by the benefit terms:

Current Retired Participants Receiving OPEB benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	0
Active Participants Eligible for Future OPEB Benefits	17

Total OPEB Liability

The Township’s OPEB liability of \$1,297,719 was measured as of December 31, 2020 and was determined based on a roll-forward of the liabilities reflected in the January 1, 2020 actuarial valuation report based on actuarial assumptions contained therein.

Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and medical care costs. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)
“Continued”

The Township utilizes the Actuarial Cost Method for valuing the actuarial costs of the plan. Under this method, the valuations are determined under the Entry Age Normal Actuarial Cost Method. The Actuarial Present Value of Projected Benefits of each individual is allocated as a level percentage of pay between entry age and assumed exit age for health care costs. Pays are assumed to increase over that period at the assumed rate of inflation. Entry age is calculated based upon hire date and assumed exit age is based on the actuarial assumptions as to termination, disability, death or retirement.

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation rate – The expected long-term inflation assumption was 2.75 percent.

Discount rate – The discount rate of 3.00% per year was based on the index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality – Life expectancies was based on the RP-2014 Mortality Table with 50% Blue Collar Adjustment, and rates set forward five (5) years for disabled lives. Rates were derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration’s Trustee Report.

Withdrawal – None assumed.

Turnover – None assumed.

Retirement Age – Police officers retirement age is assumed to be the earlier of 25 years of service or age 50 with 12 years of service. Public Works employee’s retirement age is assumed to be the earlier of 24 years of service or age 62.

Disablement – All disablements are assumed to be service related and at 50% of the rates derived from the Social Security Administration’s 2010 projections of disability incidence (ultimate rates only).

Participation – It is assumed that participation will include 100% of future eligible retirees for life insurance and 90% of future eligible retirees for medical, dental, and vision.

Retirees’ share of benefit-related costs – Both Police and Public Works employees must contribute \$75 per month toward his health coverage, plus 50% of the cost of spouse health coverage (if any) and the full cost of his dependents’ coverage (if any).

Year	Medical/Rx	Dental & Vision
2020	2.50%	0.00%
2021	2.00%	0.00%
2022	6.00%	3.00%
2023	5.75%	3.00%
2024	5.50%	3.00%
2025	5.25%	3.00%
2026 and later	5.00%	3.00%

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)
“Continued”

Changes in the OPEB Liability

Changes in the total OPEB liability were as follows:

Service Costs	\$	41,084
Interest		38,884
Recognition of Changes in Assumptions		2,359
Recognition of Differences Between Expected and Actual		16,038
Benefit Payments		<u>(74,024)</u>
Total OPEB Expense		24,341
<i>Deferred Outflow of Resources</i>		
Differences Between Expected and Actual Experience		69,926
Changes in Assumptions		<u>10,285</u>
<i>Total Deferred Outflows of Resources</i>		<u>80,211</u>
Total Current Year OPEB Activity		104,552
OPEB Liability - 12/31/19		<u>1,193,167</u>
OPEB Liability - 12/31/20	\$	<u><u>1,297,719</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Township, as well as what the Township’s net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

	1% Decrease 2.00%	Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	\$ <u>1,422,390</u>	\$ <u>1,297,719</u>	\$ <u>1,189,995</u>

Sensitivity of the net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Township, as well as the Township’s OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

	1% Decrease	Healthcare Cost Rate	1% Increase
Total OPEB Liability	\$ <u>1,204,394</u>	\$ <u>1,297,719</u>	\$ <u>1,402,582</u>

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (9) POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)
“Continued”

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

Amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-), if any, should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined at the beginning of the measurement period.

For the year ended December 31, 2020, the Township reported the following deferred outflows and inflows of resources from the following sources.

<u>Deferred Outflows and Inflows of Resources</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 69,926	\$ 0
Changes in assumptions	10,285	0
Net difference between projected and actual earnings on OPEB plan investments	0	0
	<u>\$ 80,211</u>	<u>\$ 0</u>

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

Measurement Date December 31	
2021	\$ 18,397
2022	18,397
2023	18,397
2024	18,397
2025	6,623
Thereafter	0
	<u>\$ 80,211</u>

NOTE (10) COMMITMENTS AND CONTINGENCIES

Sewer Fund – Consent Decree

In 2002, the Allegheny County Health Department (ACHD) ordered communities tributary to the Allegheny County Sanitary Authority, whose sanitary sewers had been identified as being subject to possible wet weather overflows, to implement a comprehensive assessment, flow monitoring, and planning program. In fiscal year 2008, a consent decree related to this issue was signed by ACHD and the Township. The Township is subject to a civil penalty for untimely completion of each term or provision of the consent decree. A revised consent decree was signed in May 2016. The Township has paid \$12,000 in civil penalties for the year ended December 31, 2020.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (10) COMMITMENTS AND CONTINGENCIES “Continued”

Sewer Fund – Elizabeth Township

The Elizabeth Township Sanitary Authority (Sewer Fund) entered into an intermunicipal-authorities sewage service agreement with Sutersville-Sewickley Municipal Sewage Authority (SSMSA) on September 11, 2006, as amended August 26, 2014. The agreement provides for the Sewer Fund to accept the sewage and acceptable commercial and industrial wastes discharged from within the SSMSA service area for conveyance and treatment. The SSMSA is disputing the rates being charged by the Sewer Fund and has requested an amendment to the agreement. Accounts receivable as of December 31, 2020 includes \$176,417 for accumulated sewage treatment services provided by Elizabeth Township to Sutersville-Sewickley Municipal Sewage Authority.

Other Matters

The Township is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole.

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for employee benefits and workers’ compensation. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There have been no significant changes in insurance coverage during the year.

NOTE (11) MUNICIPAL EMPLOYERS INSURANCE TRUST

The Township participates as a member in Municipal Employers Insurance Trust (d/b/a) Municipal Benefit Services (MBS), a public entity risk pool. MBS provides certain benefits including, but not limited to, the following coverages: health benefits, short-term accident and sickness disability benefits, long-term accident and sickness disability benefits, dental benefits, vision care, prescription drugs, and life insurance for those eligible employers. All participants of MBS may be subject to supplemental premiums based on the overall experience of the participating members.

Reserves generated by MBS for self-insured health premiums paid by members exceeding claims and expenses are held by MBS for the benefit of all participating members. During 2014, a portion of the excess reserves was deposited in eligible clients’ Rate Mitigation Accounts (RMA) as determined by MBS’s actuary. RMA funds are held by MBS and are available to the Township to reduce future costs associated with participating coverage. RMA funds are forfeited if the member terminates participation in the MBS medical insurance program. As of December 31, 2020, the Township had \$13,917 in the RMA account.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (12) RISK MANAGEMENT

For its workers’ compensation insurance coverage, the Township participates in the Municipal Risk Management Workers’ Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of approximately 200 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers’ Compensation Act and Occupational Disease Act of each and every participant of the Trust. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days’ notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments, but has no claim on any other assets of the Trust.

NOTE (13) COVID-19

In early 2020, an outbreak of a novel strain of coronavirus was identified and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the Township of Elizabeth operational and financial performance is currently uncertain and cannot be determined.

NOTE (14) RESTATEMENT OF CAPITAL ASSETS

In 2020, the Township of Elizabeth reduced the Construction in Progress recorded between 2008 and 2013 in the Enterprise Sewer Fund in the amount \$7,722,036. The Township reevaluated the cost of Construction in Progress through an engineering analysis of actual costs and an industrial appraisal valuation. This restatement resulted in a decrease in the Township’s enterprise fund capital assets and beginning net position.

TOWNSHIP OF ELIZABETH
Notes to Financial Statements “Continued”
Year Ended December 31, 2020

NOTE (15) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Independent Auditor's Report Date, which is the date the financial statements were available to be issued.

During 2019, the Municipal Authority of the City of McKeesport (MACM) filed a complaint against the Township alleging that the Township breached a written agreement with MACM that required the Township to deliver sewage to the MACM treatment plant for treatment by a date certain. MACM is claiming damages in excess of \$2,000,000 for lost profits on the treatment. There is no insurance coverage for this claim and the Township has hired special counsel to defend the claim. This claim is still on-going at December 31, 2020.

During 2020, a writ of summons was filed against the Township. Although the exact nature of the claims is not determined at this time, it is believed to be related to a demolition of a blighted structure without proper notice. The Township believes it has a very solid defense with numerous letters being sent regarding the public hearing held on the matter as well as a newspaper advertisement of this hearing.

Also, during 2020, the Township received notice regarding threatened litigation due to a water drainage problem on a Township resident's property. No suit has been filed at this time and the claim is being handled by the Township's insurance defense counsel.

TOWNSHIP OF ELIZABETH
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

TOWNSHIP OF ELIZABETH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUNDS
NON-GAAP - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Special Revenue Funds		Total Actual	Favorable (Unfavorable) Variance with Final Budget
	Original/ Final	General Fund Actual	Liquid Fuels Fund Actual	Fire Tax Fund Actual		
REVENUES						
Taxes	\$ 4,592,009	\$ 4,319,185	\$ 0	\$ 318,467	\$ 4,637,652	\$ 45,643
Licenses and Permits	281,050	274,422	0	0	274,422	(6,628)
Fines and Forfeits	16,010	19,723	0	0	19,723	3,713
Interest, Rent and Royalties	25,001	225,375	3,320	1,085	229,780	204,779
Intergovernmental	1,612,595	465,930	481,969	0	947,899	(664,696)
Charges for Services	196,000	187,098	0	0	187,098	(8,902)
Miscellaneous	98,300	53,537	0	0	53,537	(44,763)
Transfers	472,489	0	0	0	0	(472,489)
TOTAL REVENUES	7,293,454	5,545,270	485,289	319,552	6,350,111	(943,343)
EXPENDITURES						
Current						
General Government	655,151	542,096	0	0	542,096	113,055
Public Safety	2,469,900	2,001,162	0	329,308	2,330,470	139,430
Public Works	2,868,878	1,894,699	504,187	0	2,398,886	469,992
Culture and Recreation	232,525	61,275	0	0	61,275	171,250
Insurance	192,000	122,720	0	0	122,720	69,280
Workers' Compensation	89,909	94,659	0	0	94,659	(4,750)
Benefits - Pension	170,266	196,953	0	0	196,953	(26,687)
Benefits - Retirees	108,000	93,185	0	0	93,185	14,815
Capital Outlay	474,990	0	0	0	0	474,990
Debt Service						
Principal	110,000	298,834	0	0	298,834	(188,834)
Interest	39,775	53,890	0	0	53,890	(14,115)
Community Development	87,500	0	0	0	0	87,500
TOTAL EXPENDITURES	7,498,894	5,359,473	504,187	329,308	6,192,968	1,305,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(205,440)	185,797	(18,898)	(9,756)	157,143	362,583
OTHER FINANCING SOURCES (USES)						
Proceeds of Capital Asset Disposition	0	65,345	0	0	65,345	65,345
Long-Term Debt Proceeds	0	78,956	0	0	78,956	78,956
Refund of Prior Year Expenditures	0	392	0	0	392	392
Refund of Prior Year Revenues	(7,000)	(3,286)	0	0	(3,286)	3,714
Transfers In	0	59,311	0	0	59,311	59,311
Transfers Out	0	(14,755)	(377,330)	0	(392,085)	(392,085)
TOTAL OTHER FINANCING SOURCES (USES)	(7,000)	185,963	(377,330)	0	(191,367)	(184,367)
NET CHANGE IN FUND BALANCES	\$ (212,440)	\$ 371,760	\$ (396,228)	\$ (9,756)	\$ (34,224)	\$ 178,216

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Measurement Years **

POLICE PENSION PLAN

	Measurement Date					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability:						
Service cost	\$ 224,501	\$ 196,579	\$ 183,508	\$ 170,200	\$ 197,078	\$ 182,927
Interest	464,219	462,914	456,018	474,287	469,496	456,581
Changes of benefits	0	47,415	0	0	0	0
Differences between expected and actual experience	0	(218,792)	0	(327,759)	(1,182)	75,618
Changes of assumptions*	0	0	0	237,770	(67,574)	0
Benefit payments, including refunds of member contributions	<u>(463,396)</u>	<u>(518,285)</u>	<u>(524,109)</u>	<u>(486,403)</u>	<u>(483,646)</u>	<u>(502,675)</u>
Net Change in Total Pension Liability	225,324	(30,169)	115,417	68,095	114,172	212,451
Total Pension Liability - Beginning	<u>8,846,491</u>	<u>8,876,660</u>	<u>8,761,243</u>	<u>8,693,148</u>	<u>8,578,976</u>	<u>8,366,525</u>
Total Pension Liability - Ending	<u>9,071,815</u>	<u>8,846,491</u>	<u>8,876,660</u>	<u>8,761,243</u>	<u>8,693,148</u>	<u>8,578,976</u>
Plan Fiduciary Net Position:						
Contributions - employer	97,563	89,325	85,863	73,220	30,904	31,439
Contributions - PMRS assessment	560	0	0	0	60	0
Contributions - member	0	0	0	0	0	0
PMRS investment income	499,710	486,771	483,901	517,915	513,587	509,688
Market value investment income	1,038,684	(1,047,396)	1,058,337	136,595	(707,510)	1,650
Benefit payments, including refunds of member contributions	(463,396)	(518,285)	(524,109)	(486,403)	(483,646)	(502,675)
PMRS Administrative expense	(560)	(540)	(540)	(480)	(580)	(540)
Additional administrative expense	<u>(17,273)</u>	<u>(21,722)</u>	<u>(22,254)</u>	<u>(25,373)</u>	<u>(21,410)</u>	<u>(19,547)</u>
Net Change in Plan Fiduciary Net Position	1,155,288	(1,011,847)	1,081,198	215,474	(668,595)	20,015
Plan Fiduciary Net Position - Beginning	<u>9,058,790</u>	<u>10,070,637</u>	<u>8,989,439</u>	<u>8,773,965</u>	<u>9,442,560</u>	<u>9,422,545</u>
Plan Fiduciary Net Position - Ending	<u>10,214,078</u>	<u>9,058,790</u>	<u>10,070,637</u>	<u>8,989,439</u>	<u>8,773,965</u>	<u>9,442,560</u>
Net Pension Liability	<u>\$ (1,142,263)</u>	<u>\$ (212,299)</u>	<u>\$ (1,193,977)</u>	<u>\$ (228,196)</u>	<u>\$ (80,817)</u>	<u>\$ (863,584)</u>
Plan Fiduciary Net Position as a Percentage of the						
Total Pension Liability	112.59%	102.40%	113.45%	102.60%	100.93%	110.07%
Covered Employee Payroll	\$ 1,135,282	\$ 992,183	926,211	\$ 917,421	\$ 874,908	\$ 820,279
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-100.61%	-21.40%	-128.91%	-24.87%	-9.24%	-105.28%

* Historical changes in assumptions -

12/31/15 - Assumptions based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015.

12/31/16 - Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

** This schedule is intended to illustrate information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Measurement Years **

	Measurement Date					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NON-UNIFORMED PENSION PLAN						
Total Pension Liability:						
Service cost	\$ 112,576	\$ 96,959	\$ 84,178	\$ 83,419	\$ 90,812	\$ 77,435
Interest	266,412	239,241	235,881	246,412	242,722	238,830
Changes of benefits	0	25,820	0	0	0	0
Differences between expected and actual experience	0	432,382	0	(190,038)	(4,486)	21,016
Changes of assumptions*	0	0	0	112,440	(20,500)	0
Transfers	0	0	0	0	0	(34,392)
Benefit payments, including refunds of member contributions	(299,927)	(285,204)	(252,892)	(227,777)	(249,035)	(266,672)
Net Change in Total Pension Liability	79,061	509,198	67,167	24,456	59,513	36,217
Total Pension Liability - Beginning	5,109,989	4,600,791	4,533,624	4,509,168	4,449,655	4,413,438
Total Pension Liability - Ending	5,189,050	5,109,989	4,600,791	4,533,624	4,509,168	4,449,655
Plan Fiduciary Net Position:						
Contributions - employer	63,848	43,400	48,178	43,818	30,908	29,810
Contributions - PMRS assessment	900	60	40	40	0	0
Contributions - member	27,688	25,196	21,380	22,576	22,776	20,695
PMRS investment income	246,060	233,928	225,391	245,793	251,054	247,479
Market value investment income	721,857	(327,474)	468,000	38,736	(413,592)	28,301
Transfers	0	0	0	0	0	(34,392)
Benefit payments, including refunds of member contributions	(299,927)	(285,204)	(252,892)	(227,777)	(249,035)	(266,672)
PMRS administrative expense	(900)	(920)	(920)	(940)	(940)	(1,000)
Additional administrative expense	(8,505)	(10,439)	(10,366)	(12,042)	(10,466)	(9,491)
Net Change in Plan Fiduciary Net Position	751,021	(321,453)	498,811	110,204	(369,295)	14,730
Plan Fiduciary Net Position - Beginning	4,526,863	4,848,316	4,349,505	4,239,301	4,608,596	4,593,866
Plan Fiduciary Net Position - Ending	5,277,884	4,526,863	4,848,316	4,349,505	4,239,301	4,608,596
Net Pension Liability	\$ (88,834)	\$ 583,126	\$ (247,525)	\$ 184,119	\$ 269,867	\$ (158,941)
Plan Fiduciary Net Position as a Percentage of the						
Total Pension Liability	101.71%	88.59%	105.38%	95.94%	94.02%	103.57%
Covered Employee Payroll	\$ 922,913	\$ 820,846	712,650	\$ 751,706	\$ 759,205	\$ 639,028
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-9.63%	71.04%	-34.73%	24.49%	35.55%	24.87%

* Historical changes in assumptions -

12/31/15 - Assumptions based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015.

12/31/16 - Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

** This schedule is intended to illustrate information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Measurement Years **

SANITARY AUTHORITY PENSION PLAN

	Measurement Date					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability:						
Service cost	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,678
Interest	27,275	27,472	28,642	35,477	36,101	41,222
Changes of benefits	0	5,992	0	0	0	0
Differences between expected and actual experience	0	14,004	0	(95,219)	0	(72,372)
Changes of assumptions*	0		0	11,215	7,606	0
Transfers	0		0	0	0	0
Benefit payments, including refunds of member contributions	(51,497)	(50,932)	(50,932)	(50,932)	(59,068)	(64,790)
Other - Adjustments	0	0	0	0	0	0
Net Change in Total Pension Liability	(24,222)	(3,464)	(22,290)	(99,459)	(15,361)	(78,262)
Total Pension Liability - Beginning	544,944	548,408	570,698	670,157	685,518	763,780
Total Pension Liability - Ending	520,722	544,944	548,408	570,698	670,157	685,518
Plan Fiduciary Net Position:						
Contributions - employer	(60)	0	0	0	0	221
Contributions - PMRS assessment	60	0	0	0	0	0
Contributions - member	0	0	0	0	0	0
PMRS investment income	40,372	38,867	39,343	41,254	46,684	47,083
Market value investment income	113,137	(56,978)	87,984	28,111	(131,717)	4,807
Transfers			0	0	0	0
Benefit payments, including refunds of member contributions	(51,497)	(50,932)	(50,932)	(50,932)	(59,068)	(64,790)
PMRS administrative expense	(60)	(60)	0	0	0	(140)
Additional administrative expense	(1,396)	(1,734)	(1,809)	(2,021)	(1,946)	(1,806)
Net Change in Plan Fiduciary Net Position	100,556	(70,837)	74,586	16,412	(146,047)	(14,625)
Plan Fiduciary Net Position - Beginning	739,957	810,794	736,208	719,796	865,843	880,468
Plan Fiduciary Net Position - Ending	840,513	739,957	810,794	736,208	719,796	865,843
Net Pension Liability	\$ (319,791)	\$ (195,013)	\$ (262,386)	\$ (165,510)	\$ (49,639)	\$ (180,325)
Plan Fiduciary Net Position as a Percentage of the						
Total Pension Liability	161.41%	135.79%	147.85%	129.00%	107.41%	126.30%
Covered Employee Payroll	NA	NA	NA	NA	NA	\$ 125,512
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	NA	NA	NA	NA	NA	-143.67%

* Historical changes in assumptions -

12/31/15 - Assumptions based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015, first effective.

12/31/16 - Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

** This schedule is intended to illustrate information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

TOWNSHIP OF ELIZABETH
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
Last 10 Measurement Years **

SCHEDULES OF TOWNSHIP'S CONTRIBUTIONS **

	Measurement Date					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014*
POLICE PENSION PLAN						
Actuarially determined contributions	\$ 92,146	\$ 71,246	\$ 83,993	\$ 58,744	\$ 16,703	\$ 6,819
Contributions in relation to the actuarially determined contribution	98,123	89,325	85,863	73,220	30,964	31,439
Contributions deficiency (excess)	\$ <u>(5,977)</u>	\$ <u>(18,079)</u>	\$ <u>(1,870)</u>	\$ <u>(14,476)</u>	\$ <u>(14,261)</u>	\$ <u>(24,620)</u>
Covered employee payroll	\$ <u>1,135,282</u>	\$ <u>992,183</u>	\$ <u>926,211</u>	\$ <u>917,421</u>	\$ <u>874,908</u>	\$ <u>820,279</u>
Contributions as a percentage of covered payroll	<u>8.64%</u>	<u>9.00%</u>	<u>9.27%</u>	<u>7.98%</u>	<u>3.54%</u>	<u>3.83%</u>
NON-UNIFORMED PENSION PLAN						
Actuarially determined contributions	\$ 58,791	25,321	\$ 46,279	\$ 29,336	\$ 24,024	\$ 28,498
Contributions in relation to the actuarially determined contribution	64,748	43,460	48,218	43,858	30,908	29,810
Contributions deficiency (excess)	\$ <u>(5,957)</u>	\$ <u>(18,139)</u>	\$ <u>(1,939)</u>	\$ <u>(14,522)</u>	\$ <u>(6,884)</u>	\$ <u>(1,312)</u>
Covered employee payroll	\$ <u>922,913</u>	\$ <u>820,846</u>	\$ <u>712,650</u>	\$ <u>751,706</u>	\$ <u>759,205</u>	\$ <u>639,028</u>
Contributions as a percentage of covered payroll	<u>7.02%</u>	<u>5.29%</u>	<u>6.77%</u>	<u>5.83%</u>	<u>4.07%</u>	<u>4.66%</u>
SANITARY AUTHORITY PENSION PLAN						
Actuarially determined contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in relation to the actuarially determined contribution	0	0	0	0	0	221
Contributions deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(221)</u>
Covered employee payroll	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>125,512</u>
Contributions as a percentage of covered payroll	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>0.18%</u>

* Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation. These amounts may not match the MMO payroll.

** This schedule is intended to illustrate information for 10 years. However, until the full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

TOWNSHIP OF ELIZABETH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION PLAN
YEAR ENDED DECEMBER 31, 2020

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation performed on January 1, 2020, with liabilities measured at December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Discount rate: 5.25%
- Inflation: 2.8%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 2.8% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 Non-Annuitant Male table projected 15 years with Scale AA, Females – RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
- Post-Retirement Mortality: Males – RP2000 Annuitant Male table projected five years with Scale AA, Females – RP2000 Annuitant Female table projected 10 years with Scale AA

Historical changes in Actuarial Assumptions:

12/31/15: Assumptions based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 first effective.

12/31/16: Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%

TOWNSHIP OF ELIZABETH
SCHEDULE OF CHANGES IN
NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Measurement Years **

	Measurement Date <u>12/31/2019</u>	Measurement Date <u>12/31/2018</u>	Measurement Date <u>12/31/2017</u>
Total OPEB Liability			
Service Costs	\$ 41,084	\$ 38,904	\$ 37,863
Interest	38,884	38,915	39,260
Benefit Payments	(74,024)	(85,589)	(91,928)
Changes in Assumptions or Other Inputs	12,644	0	0
Differences Between Expected and Actual Experience	<u>85,964</u>	<u>0</u>	<u>0</u>
Net Change in Total OPEB Liability	104,552	(7,770)	(14,805)
OPEB Liability - Beginning of Year	<u>1,193,167</u>	<u>1,200,937</u>	<u>1,215,742</u>
OPEB Liability - End of Year	<u>\$ 1,297,719</u>	<u>\$ 1,193,167</u>	<u>\$ 1,200,937</u>
Covered-Employee Payroll	\$ 1,284,757	\$ 1,044,743	\$ 1,044,743
Total OPEB Liability as a Percentage of Covered-Employee Payroll	101.01%	114.21%	114.95%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, only those years for which information is available is provided.

Notes to Required Supplementary Information - OPEB Plan

- A. GASB 75 was implemented for the year ended December 31, 2018.
- B. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits.

Historical changes in assumptions - Fiscal Year Beginning January 1, 2020:

Assumed discount rate reduced from 3.25% to 3.00%

Coverage level for further retiring participants is assumed to be 60% individual, 40% husband/wife (as compared to 40% individual, 60% husband/wife at last valuation)

Medical trend rates for 2020 through 2025 updated

Dental/vision trend rates for 2020 and 2021 updated

TOWNSHIP OF ELIZABETH
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

TOWNSHIP OF ELIZABETH
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2020

	SPECIAL REVENUE FUNDS		TOTAL
	LIQUID FUELS FUND	FIRE TAX FUND	NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 295,956	\$ 318,641	\$ 614,597
Accrued Taxes Receivable	0	414	414
Due from Other Funds	0	39,244	39,244
TOTAL ASSETS	\$ 295,956	\$ 358,299	\$ 654,255
 LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0
 FUND BALANCES			
Restricted For			
Liquid Fuels Tax Projects	295,956	0	295,956
Fire Protection	0	358,299	358,299
Capital Projects	0	0	0
TOTAL FUND BALANCES	295,956	358,299	654,255
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 295,956	 \$ 358,299	 \$ 654,255

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

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>LIQUID FUELS FUND</u>	<u>FIRE TAX FUND</u>	
REVENUES			
Taxes	\$ 0	\$ 318,467	\$ 318,467
Interest, Rent & Royalties	3,320	1,085	4,405
Intergovernmental	481,969	0	481,969
TOTAL REVENUES	<u>485,289</u>	<u>319,552</u>	<u>804,841</u>
EXPENDITURES			
Public Safety	0	329,308	329,308
Public Works	504,187	0	504,187
Capital Outlay	0	0	0
TOTAL EXPENDITURES	<u>504,187</u>	<u>329,308</u>	<u>833,495</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,898)</u>	<u>(9,756)</u>	<u>(28,654)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	0	0	0
Transfers Out	<u>(377,330)</u>	<u>0</u>	<u>(377,330)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(377,330)</u>	<u>0</u>	<u>(377,330)</u>
NET CHANGE IN FUND BALANCES	(396,228)	(9,756)	(405,984)
FUND BALANCE - BEGINNING OF YEAR	<u>692,184</u>	<u>368,055</u>	<u>1,060,239</u>
FUND BALANCE - END OF YEAR	<u>\$ 295,956</u>	<u>\$ 358,299</u>	<u>\$ 654,255</u>