

**MARLBOROUGH TOWNSHIP
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

MARLBOROUGH TOWNSHIP

TABLE OF CONTENTS

| | <u>Pages</u> |
|--|--------------|
| Independent Auditors' Report..... | 1 - 3 |
| Management's Discussion and Analysis | 4 - 11 |
| <u>Government-Wide:</u> | |
| Statement of Net Position – Modified Cash Basis..... | 12 |
| Statement of Activities – Modified Cash Basis | 13 |
| <u>Fund Financial Statements:</u> | |
| Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis – Governmental Funds..... | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Activities – Modified Cash Basis..... | 16 |
| Statement of Fiduciary Net Position – Modified Cash Basis | 17 |
| Statement of Changes in Fiduciary Net Position – Modified Cash Basis | 18 |
| Notes to Financial Statements..... | 19 - 40 |
| <u>Supplementary Information:</u> | |
| Budgetary Comparison Schedule – General Fund..... | 41 |
| Budgetary Comparison Schedule – State Liquid Fuels Fund | 42 |
| Note to Budgetary Comparison Schedule – General and State Liquid Fuels Funds | 43 |
| Schedules of Changes in Net Pension Liability | 44 - 45 |
| Schedules of Employer Contributions | 46 - 47 |



INDEPENDENT AUDITORS' REPORT

To The Board of Supervisors
Marlborough Township
Green Lane, Pennsylvania

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlborough Township as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marlborough Township, as of December 31, 2021, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and schedule of employer contributions on pages 4 through 11 and 44 through 47 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



STYER ASSOCIATES
Certified Public Accountants

Souderton, Pennsylvania
December 2, 2022

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

As management of Marlborough Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended December 31, 2021. Please read it in conjunction with the Township's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$5,444,172 (net position). Of this amount, \$1,440,618 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$371,760 for the year ended December 31, 2021.
- As of the close of the current year, the Township's governmental funds reported combined ending fund balances of \$1,868,854, an increase of \$442,292 in comparison with the prior year. 54% of this amount is *available for spending* at the Township's discretion (unassigned fund balance).
- At the end of the current year the unassigned fund balance for the General Fund was \$1,005,864 or 62% of general fund expenditures.
- The Township's total debt increased by \$202,687 during the current fiscal year. The key factor in this increase was two capital leases obtained for equipment and a police vehicle.

Overview of the Financial Statements

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

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Overview of the Financial Statements (Continued):

Government-wide Financial Statements:

The government-wide financial statements are designed to provide the readers with a broad overview of the Township's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Township may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Township may be using previously accumulated funds.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year.

The governmental activities of the Township include general government administration, public safety, and public works. The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund statement of assets, liabilities, and fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

The Township maintains three governmental funds. The Township adopts annual appropriated budgets for its governmental funds. Budgetary comparison statements have been provided for the General and State Liquid Fuels Funds to demonstrate compliance with the budgets. The basic governmental fund financial statements can be found on pages 14-16 of this report.

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others. The basic fiduciary fund financial statements can be found on pages 17 through 18 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *supplementary information* concerning budgetary comparisons for the general and state liquid fuels funds and the schedules of changes in net pension liability and employer contributions. Supplementary information can be found on pages 41-47 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial strength. In the case of the Township, assets exceeded liabilities by \$5,444,172 at the close of the most recent fiscal year. A large portion of the Township's net position (\$3,575,318) or 66% of the total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery and equipment, and vehicles), less any related acquisition debt that is still outstanding. The Township uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital investments themselves cannot be used to liquidate these liabilities (i.e. the Township's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Government-Wide Financial Analysis (Continued)

The following table summarizes the Township's Statement of Net Position:

**Summary of Net Position
As of December 31, 2021 and 2020**

| | <u>Governmental Activities</u> | |
|---|--------------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Current and other assets..... | \$ 1,868,965 | \$ 1,430,433 |
| Capital assets..... | <u>3,778,005</u> | <u>3,645,850</u> |
| Total Assets..... | <u>\$ 5,646,970</u> | <u>\$ 5,076,283</u> |
| Long term liabilities outstanding..... | \$ 202,687 | \$ 0 |
| Other liabilities..... | <u>111</u> | <u>3,871</u> |
| Total Liabilities..... | <u>202,798</u> | <u>3,871</u> |
| Net position: | | |
| Invested in capital assets, net of related debt..... | 3,575,318 | 3,645,850 |
| Restricted..... | 428,236 | 306,672 |
| Unrestricted..... | <u>1,440,618</u> | <u>1,119,890</u> |
| Total Net Position..... | <u>5,444,172</u> | <u>5,072,412</u> |
| Total Liabilities and Net Position..... | <u>\$ 5,646,970</u> | <u>\$ 5,076,283</u> |

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position.

As noted previously, the Township's net position increased by \$371,760 during the year.

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Governmental-Wide Financial Analysis: (Continued)

The following table summarizes the Township's Statement of Activities:

**Changes in Net Position
Years Ended December 31, 2021 and 2020**

| | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Revenues:</u> | | |
| Program revenues: | | |
| Charges for services..... | \$ 209,205 | \$ 211,369 |
| Grants and contributions..... | 336,263 | 170,314 |
| General revenues: | | |
| Property taxes..... | 489,871 | 491,108 |
| Other taxes | 830,636 | 801,813 |
| Investment earnings | 3,122 | 4,989 |
| Miscellaneous | 65,955 | 37,297 |
| Transfers | <u>(40,146)</u> | <u>(33,038)</u> |
| Total Revenues | <u>1,894,906</u> | <u>1,683,852</u> |
| <u>Expenses:</u> | | |
| General government..... | 228,949 | 211,143 |
| Public safety..... | 630,378 | 602,420 |
| Public works | 333,393 | 302,563 |
| Recreation and special services | 19,339 | 23,987 |
| Other expenses..... | <u>311,087</u> | <u>266,935</u> |
| Total Expenses..... | <u>1,523,146</u> | <u>1,407,048</u> |
| Increase in net position | 371,760 | 276,804 |
| NET POSITION – BEGINNING | <u>5,072,412</u> | <u>4,795,608</u> |
| NET POSITION – ENDING..... | <u>\$ 5,444,172</u> | <u>\$ 5,072,412</u> |

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds:

The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported an ending fund balance of \$1,868,854, an increase of \$442,292 in comparison with the prior year. Of this amount \$1,005,864 is unassigned and is available for spending at the Township's discretion. As a measure of the General Fund's liquidity, the fund balance represents 62% of total General Fund expenditures.

Capital Assets and Debt

Capital Assets:

The Township's investment in capital assets for its governmental activities as of December 31, 2021 amounts to \$3,778,005 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, and vehicles.

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Capital Assets and Debt (Continued)

Capital assets, net of accumulated depreciation, are illustrated in the following table:

| | Governmental Activities | |
|----------------------|-------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Land | \$ 2,661,322 | \$ 2,661,322 |
| Buildings | 32,754 | 35,099 |
| Equipment | 261,580 | 97,237 |
| Infrastructure | 689,404 | 735,855 |
| Vehicles | <u>132,945</u> | <u>116,337</u> |
| Total | <u>\$ 3,778,005</u> | <u>\$ 3,645,850</u> |

Additional information on the Township's capital assets can be found in Note 3 on pages 26 through 27 of this report.

Long Term Debt:

At the end of the current fiscal year, the Township had total outstanding debt of \$202,687 and details are summarized in the following table:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|--|
| Capital Leases: | | | | | |
| Caterpillar Wheel Loader..... | \$ | \$ 167,712 | \$ | \$ 167,712 | \$ 40,118 |
| 2021 Ford Explorer Police Interceptor | | <u>34,975</u> | | <u>34,975</u> | <u>11,394</u> |
| | <u>\$ 0</u> | <u>\$ 202,687</u> | <u>\$ 0</u> | <u>\$ 202,687</u> | <u>\$ 51,512</u> |

Further information on the Township's long-term debt can be found in Note 4 on page 28 of this report.

**MARLBOROUGH TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Economic Factors and Next Year's Budgets and Rates

Marlborough Township continues to operate with limited resources, but once again increased its governmental funds fund balance position by \$442,292 for a total ending combined fund balance of \$1,868,854 as of December 31, 2021. As far as revenue is concerned, the major increase is due in part to the American Rescue Plan (ARPA) funds which the Township received (\$177,153 in 2021, with an anticipated additional \$177,153 to be received in 2022, which was included in the General Fund). Other areas that helped increase Township revenue in 2021 were the robust real estate market which increased the property transfer tax receipts and an increase in building permits. Even though the Township had a positive cash flow in 2021, without grants, tax increases or other means I see the revenues to be status quo for the future years.

The overall Township total debt increased by \$202,687 in 2021 with the key factor being debt incurred for a loader and police vehicle. Some other notable expenses in 2021 included the Township being successful in updating the outdated server while remaining \$5,000 under budget with the saved funds remaining in the appropriate capital savings accounts. In conjunction with the purchase of the new CAT Loader in 2021, the Township purchased a new snow plow for the loader with funds from Capital PW Equipment Fund in the amount of \$12,400. Other capital projects in 2021 included the purchase of PD computers and a new shop heater was installed. The decision was made to move the surplus of funds from the salt budget to the Public Works Equipment Fund Savings fund.

The Township continues to practice conservative budgeting and assigning money in separate funds for future projects and purchases. My concern is future planning, as the Township continues to have aging public works and police equipment. The Township will need to address building repairs and the infrastructure of roads and bridges on the horizon.

Liquid Fuels allocations remained unused for 2021 for anticipated bridge repairs and road improvements in 2022.

Pension funds have seen lower market rates in 2021. However, the uniform pension plan is underfunded \$119,968 (93.1%) and the nonuniform pension plan is slightly overfunded by \$137,523 (119.3%). An actuarial study of the uniform and non-uniform plans has been completed.

The Township has maintained a status quo with taxes for some years which is admirable. Year end balances have grown over the last few years due to very conservative budgeting with some financial planning for future projects and repair. The Township is continuing to be proactive in contributing towards the Capital Savings Funds for the Building Improvements and Equipment. With no revenue increases in the near future, other than the ARPA funding which was received in 2021 and expected again in 2022, the Township needs to remain aware of the levelling off of realty transfer tax revenues and will need to continue to keep expenditures low and continue to plan and save for future projects.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager, Marlborough Township, 6040 Upper Ridge Road, Green Lane, PA 18054.

**MARLBOROUGH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 1,866,262 |
| Due from custodial fund | 2,703 |
| Capital Assets: | |
| Land | 2,661,322 |
| Other capital assets, net of depreciation | <u>1,116,683</u> |
| Total Capital Assets | <u>3,778,005</u> |
| TOTAL ASSETS | \$ <u>5,646,970</u> |
| <u>LIABILITIES AND NET POSITION</u> | |
| <u>Liabilities:</u> | |
| Payroll taxes withheld..... | \$ 111 |
| Long term liabilities: | |
| Due within one year | 51,512 |
| Due in more than one year | <u>151,175</u> |
| Total Liabilities | <u>202,798</u> |
| <u>Net Position:</u> | |
| Invested in capital assets, net of related debt..... | 3,575,318 |
| Restricted - state liquid fuels funds | 393,103 |
| - developers in lieu of payments - trees and curbs..... | 35,133 |
| Unrestricted..... | <u>1,440,618</u> |
| Total Net Position | <u>5,444,172</u> |
| TOTAL LIABILITIES AND NET POSITION | \$ <u>5,646,970</u> |

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

**MARLBOROUGH TOWNSHIP
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Total</u> |
|---------------------------------|------------------|---------------------------------|---|---|------------------|
| Governmental activities: | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| General government..... | \$ 228,949 | \$ 81,429 | \$ 178,364 | \$ | \$ 30,844 |
| Public safety | 630,378 | 85,051 | 20,979 | | (524,348) |
| Public works | 333,393 | 42,725 | 136,920 | | (153,748) |
| Recreation and special services | 19,339 | | | | (19,339) |
| Employee benefits..... | 253,151 | | | | (253,151) |
| Other expenses | <u>57,936</u> | | | | <u>(57,936)</u> |
| Total Governmental Activities | <u>1,523,146</u> | <u>209,205</u> | <u>336,263</u> | <u>0</u> | <u>(977,678)</u> |

General Revenues

| | |
|--|------------------|
| Taxes: | |
| Property taxes, levied for general purposes..... | 489,871 |
| Earned income taxes | 638,734 |
| Local services taxes | 38,567 |
| Real estate transfer taxes..... | 83,801 |
| Franchise fees | 69,534 |
| Investment earnings | 3,122 |
| Special item – gain on sale of assets..... | 35,000 |
| Miscellaneous | 30,955 |
| Transfers | <u>(40,146)</u> |
| Total General Revenues..... | <u>1,349,438</u> |

Change in Net Position 371,760

NET POSITION – BEGINNING 5,072,412

NET POSITION – ENDING \$ 5,444,172

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

MARLBOROUGH TOWNSHIP
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

| <u>ASSETS</u> | <u>General</u> | <u>Capital Project</u> | <u>Liquid Fuels</u> | <u>Total Governmental Funds</u> |
|---------------------------|---------------------------|----------------------------|--------------------------|---|
| Cash | \$ 861,252 | \$ 611,907 | \$ 393,103 | \$ 1,866,262 |
| Due from other funds..... | <u>179,856</u> | | | <u>179,856</u> |
| TOTAL ASSETS..... | <u>\$1,041,108</u> | <u>\$ 611,907</u> | <u>\$ 393,103</u> | <u>\$ 2,046,118</u> |

**LIABILITIES AND FUND
BALANCES**

| | | | | |
|-------------------------------|-------------------|-----------------------|-----------------|-----------------------|
| <u>Liabilities:</u> | | | | |
| Payroll taxes withheld..... | \$ 111 | \$ | \$ | \$ 111 |
| Due to other funds..... | | <u>177,153</u> | | <u>177,153</u> |
| TOTAL LIABILITIES..... | <u>111</u> | <u>177,153</u> | <u>0</u> | <u>177,264</u> |

Fund Balances:

| | | | | |
|---|-------------------------|-----------------------|-----------------------|-------------------------|
| Restricted for: | | | | |
| State liquid fuels expenditures .. | | | 393,103 | 393,103 |
| Developers in lieu of payments - trees and curbs | 35,133 | | | 35,133 |
| Assigned..... | | 434,754 | | 434,754 |
| Unassigned..... | <u>1,005,864</u> | | | <u>1,005,864</u> |
| TOTAL FUND BALANCES..... | <u>1,040,997</u> | <u>434,754</u> | <u>393,103</u> | <u>1,868,854</u> |

| | | | | |
|---|---------------------------|--------------------------|--------------------------|--|
| TOTAL LIABILITIES AND FUND BALANCES..... | <u>\$1,041,108</u> | <u>\$ 611,907</u> | <u>\$ 393,103</u> | |
|---|---------------------------|--------------------------|--------------------------|--|

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

| | |
|--|------------------|
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | 3,778,005 |
| Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. | <u>(202,687)</u> |

| | |
|--|----------------------------|
| Net Position of Governmental Activities..... | <u>\$ 5,444,172</u> |
|--|----------------------------|

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

**MARLBOROUGH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

| | <u>General</u> | <u>Capital Project</u> | <u>State Liquid Fuels</u> | <u>Total Governmental Funds</u> |
|--|--------------------|----------------------------|-------------------------------|---|
| <u>Revenues:</u> | | | | |
| Taxes, penalties and interest | \$1,250,973 | \$ | \$ | \$ 1,250,973 |
| Franchise taxes..... | 69,534 | | | 69,534 |
| Permits, fines, and licenses | 26,356 | | | 26,356 |
| Intergovernmental revenues..... | 215,596 | | 120,667 | 336,263 |
| Interest and rent revenue..... | 41,912 | 195 | 879 | 42,986 |
| Charges for services..... | 142,984 | | | 142,984 |
| Miscellaneous | 64,954 | 1,000 | | 65,954 |
| Total Revenues | <u>1,812,309</u> | <u>1,195</u> | <u>121,546</u> | <u>1,935,050</u> |
| <u>Expenditures:</u> | | | | |
| General government..... | 219,602 | | | 219,602 |
| Public safety..... | 609,125 | | | 609,125 |
| Public works | 260,069 | | | 260,069 |
| Recreation and special services | 8,131 | | | 8,131 |
| Capital outlays | 214,155 | 33,131 | | 247,286 |
| Employee benefits..... | 253,151 | | | 253,151 |
| Other expenses..... | 57,935 | | | 57,935 |
| Total Expenditures | <u>1,622,168</u> | <u>33,131</u> | <u>0</u> | <u>1,655,299</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>190,141</u> | <u>(31,936)</u> | <u>121,546</u> | <u>279,751</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Proceeds of general long term debt | 202,687 | | | 202,687 |
| Operating transfers in..... | | 466,690 | | 466,690 |
| Operating transfers out..... | (506,836) | | | (506,836) |
| Total Other Financing Sources (Uses)..... | <u>(304,149)</u> | <u>466,690</u> | <u>0</u> | <u>162,541</u> |
| Net Change in Fund Balance | <u>(114,008)</u> | <u>434,754</u> | <u>121,546</u> | <u>442,292</u> |
| Fund Balance – Beginning | <u>1,155,005</u> | | <u>271,557</u> | <u>1,426,562</u> |
| Fund Balance – Ending | <u>\$1,040,997</u> | <u>\$ 434,754</u> | <u>\$ 393,103</u> | <u>\$ 1,868,854</u> |

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

**MARLBOROUGH TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021**

| | |
|---|-------------------|
| Net change in fund balances – total governmental funds | \$ 442,292 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$246,646) exceeded depreciation (\$114,491) in the current period. | 132,155 |
| Proceeds of long term debt provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. | <u>(202,687)</u> |
| Change in net position of governmental activities. | <u>\$ 371,760</u> |

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

**MARLBOROUGH TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021**

| | <u>Pension Trust Fund</u> | <u>Custodial Fund</u> |
|--|------------------------------------|--------------------------------|
| <u>ASSETS:</u> | | |
| Cash | \$ 31,306 | \$ 153,897 |
| Investments | 2,435,183 | |
| Employee contribution receivable | <u>1,227</u> | <u> </u> |
| TOTAL ASSETS..... | <u>\$ 2,467,716</u> | <u>\$ 153,897</u> |
| <u>LIABILITIES:</u> | | |
| Due to other funds..... | \$ <u> </u> | \$ <u> 2,703</u> |
| TOTAL LIABILITIES..... | <u>\$ <u> </u></u> | <u>\$ <u> 2,703</u></u> |
| <u>NET POSITION:</u> | | |
| Restricted for: | | |
| Pensions | \$ 2,467,716 | \$ |
| Developers and individuals..... | <u> </u> | <u>151,194</u> |
| TOTAL NET POSITION..... | <u>\$ 2,467,716</u> | <u>\$ 151,194</u> |

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

**MARLBOROUGH TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021**

| | <u>Pension Trust Fund</u> | <u>Custodial Fund</u> |
|---|-------------------------------|---------------------------|
| <u>ADDITIONS:</u> | | |
| Contributions: | | |
| Employer..... | \$ 40,146 | \$ |
| Employee | 9,794 | |
| Intergovernmental revenues..... | 57,567 | |
| Developers and individuals..... | | 77,934 |
| Total Contributions..... | <u>107,507</u> | <u>77,934</u> |
| Investment Income: | | |
| Net appreciation (depreciation) in fair value of investments..... | 291,375 | |
| Interest and dividend income | 143,852 | 31 |
| Realized loss on sale of securities..... | <u>(152,011)</u> | |
| Total Investment Income | 283,216 | 31 |
| Less investment expense..... | <u>17,120</u> | |
| Net investment income | <u>266,096</u> | <u>31</u> |
| TOTAL ADDITIONS..... | <u>373,603</u> | <u>77,965</u> |
| <u>DEDUCTIONS:</u> | | |
| Benefits | 118,832 | |
| Administrative expenses | 12,300 | 6,773 |
| Professional fees | | <u>54,209</u> |
| TOTAL DEDUCTIONS..... | <u>131,132</u> | <u>60,982</u> |
| Net Increase..... | 242,471 | 16,983 |
| NET POSITION – BEGINNING | <u>2,225,245</u> | <u>134,211</u> |
| NET POSITION – ENDING..... | <u>\$ 2,467,716</u> | <u>\$ 151,194</u> |

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

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 – Summary of Significant Accounting Policies:

The summary of significant accounting policies of the Township is presented to assist in understanding the Township's financial statements. The financial statements and notes are representations of the Township's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The Township operates under a Board of Supervisors – manager form of government and provides such services that advance the welfare, health, comfort, safety, and convenience of the Township and its inhabitants.

The Township's financial statements are prepared in accordance with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing regulations for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the Township are discussed below.

Reporting Entity:

The financial statements of Marlborough Township include all government activities, organizations, and functions for which the Township exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the Township's financial statements include the degree of oversight responsibility exercised by the Board of Supervisors over a government organization, activity, or function, the Township's accountability for the activity's fiscal matters, its scope of public service and the nature of any special financing relationships which may exist between the Township and a given government activity.

Therefore, the Township's municipal services, which include public safety, public works, culture and recreation, public improvements, planning and zoning, and general administrative services, are included in the accompanying financial statements.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 – Summary of Significant Accounting Policies (Continued):

Reporting Entity (Continued):

Joint Venture – Marlborough Township appoints 3 of the 6 members to the governing board of the following operating authority:

Green Lane – Marlborough Joint Authority

The above operating authority provides sewer service to the residents of Marlborough Township. The provisions have not been met regarding component units. Therefore, the above operating authority is not included in the financial statements of Marlborough Township.

Basic Financial Statements – Government-Wide Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). The Township's public safety, parks and recreation, public works, and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, and (b) are reported on the modified cash basis, which recognizes all long-term assets as well as long term debt and obligations. The Township's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions (public safety, public works, etc.). The functions are also supported by general government revenues (property and other taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.).

The net costs (by function) are normally covered by general revenue (property, earned income taxes, intergovernmental revenues, interest income, etc.).

The Township does not allocate indirect costs.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 – Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Government-Wide Statements (Continued):

This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements:

The financial transactions of the Township are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

1. Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:
 - a. **General fund** is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. **Capital project funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
 - c. **Special revenue funds** are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally or administratively restricted to expenditures for specified purposes.
2. Fiduciary Funds – The fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore are not available to support Township programs. The reporting focus is on net position and changes in net position.

The Township's fiduciary funds are presented in the fiduciary fund statements by type (pension and custodial). Because by definition these assets are being held for the benefit of a third party (pension participants and private parties) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 – Summary of Significant Accounting Policies (Continued):

Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Modified Cash Basis – The records of the Township are maintained on the modified cash basis of accounting and the accompanying financial statements have been prepared on that basis. Except for capital asset purchases and note payable debt service, all transactions are recognized as either revenues or expenses. Noncash transactions, except depreciation, are not recognized. The modified cash basis differs from generally accepted accounting principles primarily because certain revenues are recognized as received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Budget:

The Board of Supervisors adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Beginning at least 30 days prior to adoption of the budget, a proposed budget for the ensuing year shall be prepared in a manner designated by the Board of Supervisors. The proposed budget shall be kept on file with the Township and made available for public inspection for a period of 20 days.
2. Notice that the proposed budget is available for inspection must be published in a newspaper of general circulation in the Township and conspicuously posted during the 20-day period noted in item 1.
3. After 20 days, the Board of Supervisors shall adopt the budget no later than December 31 and file it with the Pennsylvania Department of Community and Economic Development.
4. Annual budgets are generally adopted for the general, capital projects, and special revenue funds.
5. For budgetary purposes, appropriations lapse at the end of each year.
6. The budget is prepared on the modified cash basis of accounting.
7. The budget was not amended during 2021.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 – Summary of Significant Accounting Policies (Continued):

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of Marlborough Township's Pension plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Thomas J. Anderson & Associates, Inc. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through December 2, 2022, the date on which the financial statements were available to be issued.

Note 2 – 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, and qualifying commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocal arrangements. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

The Township does not have a formal deposit and investment policy but adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in demand deposits, highly liquid money market funds, or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT) and are captioned as "cash" in the Statement of Net Position. These amounts are stated at cost which approximates market value. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township.

Deposits:

Concentration of Credit Risk – At December 31, 2021, 30% of the balances shown as cash on the Township's Statements of Net Position were held by PLGIT, 69% were held by Univest Bank and Trust Company, and 1% by Matrix Trust Company.

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 follows state statutes as they relate to custodial credit risk. As of December 31, 2021, the Township's total bank balances of \$2,062,348 were exposed to custodial credit risk as follows:

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 2 – Deposits and Investments (Continued):

| | |
|--|----------------------------|
| Balances subject to FDIC Insurance | \$ 337,414 |
| Balances uninsured and collateralized with securities held by Univest Bank and Trust Company not in the Township's name | 1,081,721 |
| Balances uninsured and uncollateralized with PLGIT and Matrix Trust Company | <u>643,213</u> |
| TOTAL | \$ <u>2,062,348</u> |

Investments:

The investments of the Township at December 31, 2021 relate to holdings within the Police and Non-Uniform Pension Plans which are maintained with Matrix Trust Company. Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. As of December 31, 2021, the Township's investment holdings consisted of the following:

| | |
|---------------------------|---------------------|
| Bond Mutual Funds | \$ 687,641 |
| Equity Mutual Funds | <u>1,747,542</u> |
| Total Investments..... | <u>\$ 2,435,183</u> |

Fair Value Reporting:

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 are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments of the Township are categorized as Level 1 inputs.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy does not include formal guidelines that would limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2021, the Township's investment balances were exposed to interest rate risk is as follows:

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 2 – Deposits and Investments (Continued):

Interest Rate Risk (Continued):

Average Investment Maturities (in Years)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>Not Available</u> |
|------------------------|-------------------|--------------------|-------------------|-------------------|----------------------|
| Bond Mutual Funds | \$ <u>687,641</u> | \$ <u>0</u> | \$ <u>258,945</u> | \$ <u>243,658</u> | \$ <u>185,038</u> |

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township's investment policy does not include formal guidelines that address credit risk. The credit risk associated with the Township's investment balances as of December 31, 2021 was as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Credit Quality</u> |
|------------------------|-------------------|-----------------------|
| Bond Mutual Funds | \$ 180,145 | BBB |
| Bond Mutual Funds | 184,922 | BB |
| Bond Mutual Funds | 258,945 | B |
| Bond Mutual Funds | <u>63,629</u> | Not rated |
| | \$ <u>687,641</u> | |

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the pension plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Plan does not have a formal investment policy that addresses custodial credit risk; however, the Plan held no investments that were exposed to custodial credit risk at December 31, 2021.

Investments in external investment pools or in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed to custodial credit risk because they are held by the buyer-lender. The term securities as used in this paragraph includes securities underlying repurchase agreements and investment securities.

MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 2 – Deposits and Investments (Continued):

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributable to the magnitude of a pension plan's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Plan does have a formal investment policy that addresses concentration of credit risk. As of December 31, 2021, no investment in any one organization represented five percent (5%) or more of net assets available for benefits.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan does not have a formal investment policy that addresses foreign currency risk; however, the Plan held no investments that were exposed to foreign currency risk as of December 31, 2021.

Note 3 – Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,500 or more and infrastructure construction of \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, which include property, land, equipment, and infrastructure, are reported in the government wide statement of net position but not the fund financial statements. Capital assets are expensed in the fund financial statements.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-------------------------|--------------|
| Buildings | 30 years |
| Machinery and equipment | 5 – 15 years |
| Vehicles | 7 – 15 years |
| Infrastructure | 25 years |

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 3 – Capital Assets (Continued):

Changes in Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2021:

| | Primary Government | | | Ending Balance |
|---|----------------------|-------------------|-------------|---------------------|
| | Beginning Balance | Increases | Decreases | |
| Capital assets not being depreciated: | | | | |
| Land..... | \$ 2,661,322 | \$ 0 | \$ 0 | \$ 2,661,322 |
| Other capital assets: | | | | |
| Buildings | 1,047,821 | 11,468 | | 1,059,289 |
| Equipment | 692,140 | 187,761 | (113,090) | 766,811 |
| Infrastructure | 1,161,278 | | | 1,161,278 |
| Vehicles..... | 506,691 | 47,417 | | 554,108 |
| Total Other Capital Assets At Historical Cost..... | 3,407,930 | 246,646 | (113,090) | 3,541,486 |
| Less accumulated depreciation: | | | | |
| Building..... | (1,012,722) | (13,813) | | (1,026,535) |
| Equipment | (594,903) | (23,418) | 113,090 | (505,231) |
| Infrastructure | (425,423) | (46,451) | | (471,874) |
| Vehicles..... | (390,354) | (30,809) | | (421,163) |
| | (2,423,402) | (114,491) | 113,090 | (2,424,803) |
| Other capital assets net | 984,528 | 132,155 | 0 | 1,116,683 |
| Capital Assets Net | \$ 3,645,850 | \$ 132,155 | \$ 0 | \$ 3,778,005 |

Depreciation Expense:

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

| | |
|-----------------------------------|-------------------|
| General government..... | \$ 9,026 |
| Public safety..... | 20,933 |
| Public works | 73,324 |
| Recreation and special services . | 11,208 |
| | \$ 114,491 |

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 4 – Long Term Liabilities:

Long term liability activity for the year ended December 31, 2021 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|-------------------|-------------------|---------------------------|--|
| Capital Leases: | | | | | |
| Caterpillar Wheel Loader | \$ | \$ 167,712 | \$ | \$ 167,712 | \$ 40,118 |
| 2021 Ford Explorer Police Interceptor | | <u>34,975</u> | | <u>34,975</u> | <u>11,394</u> |
| | <u>\$ 0</u> | <u>\$ 202,687</u> | <u>\$ 0</u> | <u>\$ 202,687</u> | <u>\$ 51,512</u> |

Capital Lease:

The Township is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the government wide financial statements. Assets under capital leases totaled \$218,186 at December 31, 2021 and accumulated depreciation on these assets totaled \$3,004. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of December 31, 2021.

| | |
|--|-------------------|
| <u>December 31,</u> | |
| 2022 | \$ 57,264 |
| 2023 | 57,264 |
| 2024 | 57,264 |
| 2025 | <u>57,264</u> |
| Minimum lease payments for capital lease | 229,056 |
| Less amount representing interest | <u>26,369</u> |
| Present Value of Minimum Lease Payments | <u>\$ 202,687</u> |

Amortization of the leased assets is included with depreciation expense.

Note 5 – Government-Wide Net Position:

Government-wide net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 5 – Government-Wide Net Position:

- Restricted net position – consists of assets that are restricted by the Township’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

- Unrestricted – all other net position is reported in this category.

Note 6 – Fund Balance:

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Township classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Presently the Township has no non-spendable fund balances.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, or amounts constrained due to enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Supervisors. Presently the Township has no committed fund balances.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Manager.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Note 7 – Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances if there are any before using unassigned fund balances.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 – Property Tax:

Property taxes are levied in January. Liens are placed on uncollected property taxes on January 15th of the following year. The Township uses a tax collector to make collections throughout the year. Property tax revenue is recognized when collected. No allowance for uncollectible taxes is used. Eventually, all taxes are collected and remitted to the Township.

Note 9 – Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliations to the government-wide financial statements.

As of December 31, 2021, interfund receivables and payables that resulted from payment of legal and engineering costs by the general fund which are due to be reimbursed by the custodial fund and payroll and benefit costs by the general fund which are to be reimbursed from American Rescue Plan funds held in the capital projects fund were as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|------------------|---------------------------------|-------------------------------|
| General Fund | \$179,856 | \$ |
| Capital Projects | | 177,153 |
| Custodial Fund | | <u>2,703</u> |
| | <u>\$179,856</u> | <u>\$179,856</u> |

Individual fund operating transfers for the year ended December 31, 2021 were as follows:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|------------------|--------------------|---------------------|
| General Fund | \$ | \$506,836 |
| Capital Projects | 466,690 | |
| Fiduciary Fund | <u>40,146</u> | |
| | <u>\$506,836</u> | <u>\$506,836</u> |

Transfers were done to move funds between the general and fiduciary fund for the Township's portion of the pension contribution and transfers between the general fund and capital projects fund were to open and provide additional funding for the capital projects fund.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 – Pension Plan – Nonuniformed:

Plan Description:

The Marlborough Township Nonuniformed Pension Plan is a single-employer defined benefit plan administered by the Township covering full-time nonuniformed employees. The Plan is controlled by the provisions of Ordinance 84-4 as amended. The Plan is governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage Plan assets to Univest Trust Company. The Plan issues a stand-alone financial statement which can be obtained at the Township office.

Plan Membership:

As of December 31, 2021, membership consisted of:

| | |
|--|----------|
| Inactive Plan Members Currently Receiving Benefits | 2 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 1 |
| Active Plan Members | <u>4</u> |
| TOTAL | 7 |

Benefits Provided:

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
 - Normal Retirement: Age 65 with 15 years of service
 - Early Retirement: None
 - Vesting: 100% after 8 years of credited service

- Retirement Benefit: 1.5% of average monthly pay based on last 36 months times years of service.

- Survivor Benefit: If an active member dies, death benefit payable to surviving spouse equal to 100% of accrued benefit payable as a joint and 50% survivor annuity.

- Disability Benefit Service & Non-Service Related: Benefit equal to benefit accrued to date.

- Post Retirement Adjustments: None

- Members Contributions:
 - Amount or Rate: Currently suspended
 - Interest Rate Credited to Member Contributions: None

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 – Pension Plan – Nonuniformed (Continued):

Contributions and Funding Policy:

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments, and estimated member contributions.

As a condition of participation, full-time employees are not required to contribute to the Plan. This contribution is governed by the Plan’s ordinances. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2021.

Net Pension Liability:

The Township’s net pension liability is measured as the total pension liability reduced by the pension plan’s fiduciary net position. A summary of the principal assumptions and methods used to determine the net pension liability is shown below:

Actuarial Assumptions – An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the plan’s fiscal plan year ending December 31, 2021. The Plan’s actuarial assumptions, asset valuation method, and cost method are described below:

December 31, 2021 Liabilities

| | |
|-------------------------------|-----------------|
| Actuarial valuation date | January 1, 2021 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | N/A |
| Asset valuation method | Market Value |

Assumptions:

| | |
|---------------------------|--|
| Inflation | 2.25% |
| Salary increases | 4.00% |
| Investment rate of return | 7.00% (Net of pension plan investment expense including inflation) |
| Retirement age | 65 |

Mortality rates were based on the PUBS-2010 Mortality.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 – Pension Plan – Nonuniformed (Continued):

Long Term Expected Rate of Return on Plan Assets:

The long term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2021 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021 are listed in the table below.

The Plan's investment policy establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Target</u> |
|---|---------------|
| Equity | 65.0% |
| Fixed income | 34.0% |
| Cash and cash equivalents | 1.0% |
| Total Net Blended Return | 4.38%* |
| *Excludes 2.50% inflation assumption. | |
| Long Term Expected Rate of Return (including inflation) | 6.88% |

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 – Pension Plan – Nonuniformed (Continued):

Changes to the Net Pension Liability for the year ending December 31, 2021 are as follows:

| | <u>Increase (Decrease)</u> | | |
|--|------------------------------------|--|--|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability/(Asset)</u> |
| Balance at December 31, 2020 | \$ 642,936 | \$ 769,738 | \$ (126,802) |
| Changes in the year: | | | |
| Service cost | 23,592 | | 23,592 |
| Interest on the total pension liability..... | 47,404 | | 47,404 |
| Differences between actual and expected experience | 2,826 | | 2,826 |
| Changes in assumptions..... | 20,620 | | 20,620 |
| Changes in benefit terms..... | | | |
| Contribution – employer..... | | 1,546 | (1,546) |
| Contribution – state aid..... | | 19,189 | (19,189) |
| Contribution – employee | | | |
| Net investment income | | 92,728 | (92,728) |
| Administrative expense..... | | (8,300) | 8,300 |
| Benefit payments, including refunds of employee contributions | (25,542) | (25,542) | |
| Net Changes | <u>68,900</u> | <u>79,621</u> | <u>(10,721)</u> |
| Balance at December 31, 2021 | <u>\$ 711,836</u> | <u>\$ 849,359</u> | <u>\$ (137,523)</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability to Changes in Discount Rate

| | <u>1% Decrease 6.00%</u> | <u>Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
|-----------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Total Pension Liability..... | \$ 815,904 | \$ 711,836 | \$ 624,717 |
| Plan Fiduciary Net Position | 849,359 | 849,359 | 849,359 |
| Net Pension Liability | <u>\$ (33,455)</u> | <u>\$ (137,523)</u> | <u>\$ (224,642)</u> |

| | | | |
|---|--------|--------|--------|
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 104.1% | 119.3% | 136.0% |
|---|--------|--------|--------|

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 – Pension Plan – Nonuniformed (Continued):

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As indicated in Note 1, the Township presents its financial statements on the modified cash basis of accounting. If the Township’s financial statements were presented using accounting principles generally accepted in the United States of America (U.S. GAAP), it would have recognized pension expense of \$(8,508) in 2021 and would report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|----|---|--|
| Differences between expected and actual experience..... | \$ | | \$ (124,205) |
| Changes in assumptions..... | | 26,024 | |
| Net differences between projected and actual earnings on pension plan investments | | | (72,000) |
| Total | \$ | <u>26,024</u> | <u>\$ (196,205)</u> |

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

| <u>Year Ended December 31,</u> | |
|--------------------------------|-------------|
| 2022 | \$ (26,454) |
| 2023 | (43,308) |
| 2024 | (28,377) |
| 2025 | (19,289) |
| 2026 | (11,547) |
| Thereafter | (41,206) |

Note 11 – Pension Plan – Police:

Plan Description:

The Marlborough Township Police Pension Plan is a single-employer defined benefit pension plan administered by the Township covering full-time police officers. The Plan is controlled by the provisions of Ordinance 84-3 as amended. The Plan is governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage Plan assets to Univest Trust Company. The Plan issues a stand-alone financial statement which can be obtained at the Township office.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 11 – Pension Plan – Police (Continued):

Plan Membership:

As of December 31, 2021, membership consisted of:

| | |
|--|----------|
| Inactive Plan Members Currently Receiving Benefits | 2 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 0 |
| Active Plan Members | <u>4</u> |
| TOTAL | 6 |

Benefits Provided:

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
 - Normal Retirement: Age 52 and the completion of 25 years of service
 - Early Retirement: None
 - Vesting: 100% after 12 years of service
- Retirement Benefit: 50% of average monthly pay based on last 36 months plus a service increment of \$100 per month for each completed year in excess of 25 years – maximum \$500 per month.
- Survivor Benefit: Killed-in Service (Act 51): If member is eligible for retirement, the benefit is 50% of pension.
- Disability Benefit Service Related: 50% of salary at time of disability.
- Post Retirement Adjustments: None.
- Members Contributions:
 - Amount or Rate: 2.5%
 - Interest Rate Credited to Member Contributions: 5%

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 11 – Pension Plan – Police (Continued):

Contributions and Funding Policy:

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments, and estimated member contributions.

As a condition of participation, full-time employees are required to contribute 2.5% of compensation to the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2021.

Net Pension Liability:

The Township's net pension liability is measured as the total pension liability reduced by the pension plan's fiduciary net position. A summary of the principal assumptions and methods used to determine the net pension liability is shown below:

Actuarial Assumptions – An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the plan's fiscal plan year ending December 31, 2021. The Plan's actuarial assumptions, asset valuation method, and cost method are described below:

December 31, 2021 Liabilities

| | |
|-------------------------------|-----------------|
| Actuarial valuation date | January 1, 2021 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 9 years |
| Asset valuation method | Market value |

Assumptions:

| | |
|---------------------------|--|
| Inflation | 2.25% |
| Salary increases | 4.00% |
| Investment rate of return | 7.00% (Net of pension plan investment expense including inflation) |
| Retirement age | 52 |

Mortality rates were based on the PUBS-2010 Mortality.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 11 – Pension Plan – Police (Continued):

Long Term Expected Rate of Return on Plan Assets:

The long term expected rate of return on the Plan’s investments was determined using an asset allocation study conducted by the Plan’s investment management consultant in December 2021 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of December 31, 2021 are listed in the table below.

The Plan’s investment policy establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Target</u> |
|---|---------------|
| Equity | 65.0% |
| Fixed income | 34.0% |
| Cash and cash equivalents | 1.0% |
| Total Net Blended Return | 4.38%* |
| *Excludes 2.50% inflation assumption. | |
| Long Term Expected Rate of Return (including inflation) | 6.88% |

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 11 – Pension Plan – Police (Continued):

Changes to the Net Pension Liability for the year ending December 31, 2021 are as follows:

| | <u>Increase (Decrease)</u> | | |
|--|------------------------------------|--|--|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability/(Asset)</u> |
| Balance at December 31, 2020 | \$ 1,613,984 | \$ 1,455,507 | \$ 158,477 |
| Changes in the year: | | | |
| Service cost | 55,059 | | 55,059 |
| Interest on the total pension liability..... | 116,643 | | 116,643 |
| Differences between actual and expected experience | (2,000) | | (2,000) |
| Changes in assumptions..... | 43,928 | | 43,928 |
| Changes in benefit terms..... | | | |
| Contribution – employer..... | | 38,600 | (38,600) |
| Contribution – state aid..... | | 38,378 | (38,378) |
| Contribution – employee | | 9,794 | (9,794) |
| Net investment income | | 173,367 | (173,367) |
| Administrative expense..... | | (8,000) | 8,000 |
| Benefit payments, including refunds of employee contributions | (89,289) | (89,289) | |
| Net Changes..... | <u>124,341</u> | <u>162,850</u> | <u>(38,509)</u> |
| Balance at December 31, 2021 | <u>\$ 1,738,325</u> | <u>\$ 1,618,357</u> | <u>\$ 119,968</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

**MARLBOROUGH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 11 – Pension Plan – Police (Continued):

Sensitivity of Net Pension Liability to Changes in Discount Rate

| | <u>1% Decrease 6.00%</u> | <u>Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
|---|----------------------------------|------------------------------------|----------------------------------|
| Total Pension Liability..... | \$ 1,956,417 | \$ 1,738,325 | \$ 1,555,103 |
| Plan Fiduciary Net Position | <u>1,618,357</u> | <u>1,618,357</u> | <u>1,618,357</u> |
| Net Pension Liability | <u>\$ 338,060</u> | <u>\$ 119,968</u> | <u>\$ (63,254)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.7% | 93.1% | 104.1% |

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As indicated in Note 1, the Township presents its financial statements on the modified cash basis of accounting. If the Township's financial statements were presented using accounting principles generally accepted in the United States of America (U.S. GAAP), it would have recognized pension expense of \$35,003 in 2021 and would report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience..... | \$ 16,596 | \$ |
| Changes in assumptions..... | 55,732 | |
| Net differences between projected and actual earnings on pension plan investments..... | | <u>(132,411)</u> |
| Total | <u>\$ 72,328</u> | <u>\$ (132,411)</u> |

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

| <u>Year Ended December 31,</u> | |
|--------------------------------|------------|
| 2022 | \$(17,417) |
| 2023 | (50,103) |
| 2024 | (21,678) |
| 2025 | (5,117) |
| 2026 | 9,513 |
| Thereafter | 24,719 |

SUPPLEMENTARY INFORMATION

**MARLBOROUGH TOWNSHIP
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

| | Budget Original and Final | <u>Actual Amounts</u> | Variance Positive (Negative) |
|--|---------------------------------|----------------------------|------------------------------------|
| <u>Revenues:</u> | | | |
| Taxes, penalties and interest..... | \$ 1,119,000 | \$ 1,250,973 | \$ 131,973 |
| Franchise taxes | 67,000 | 69,534 | 2,534 |
| Permits, fines and licenses..... | 13,350 | 26,356 | 13,006 |
| Intergovernmental revenues | 98,697 | 215,596 | 116,899 |
| Interest and rent revenues..... | 48,500 | 41,912 | (6,588) |
| Charges for services | 93,975 | 142,984 | 49,009 |
| Miscellaneous..... | <u>0</u> | <u>64,954</u> | <u>64,954</u> |
| Total Revenues | <u>1,440,522</u> | <u>1,812,309</u> | <u>371,787</u> |
| <u>Expenditures:</u> | | | |
| General government | 242,510 | 219,602 | 22,908 |
| Public safety | 648,417 | 609,125 | 39,292 |
| Public works..... | 349,793 | 260,069 | 89,724 |
| Recreation and special services..... | 36,650 | 8,131 | 28,519 |
| Capital outlays..... | 148,651 | 214,155 | (65,504) |
| Employee benefits | 347,541 | 253,151 | 94,390 |
| Other expenses | <u>60,650</u> | <u>57,935</u> | <u>2,715</u> |
| Total Expenditures | <u>1,834,212</u> | <u>1,622,168</u> | <u>212,044</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(393,690)</u> | <u>190,141</u> | <u>583,831</u> |
| <u>Other Financing Sources (Uses):</u> | | | |
| Proceeds of general long term debt..... | | 202,687 | 202,687 |
| Operating transfers in | 104,000 | | (104,000) |
| Operating transfers out | <u>0</u> | <u>(506,836)</u> | <u>(506,836)</u> |
| Total Other Financing Sources (Uses)..... | <u>104,000</u> | <u>(304,149)</u> | <u>(408,149)</u> |
| Net Change in Fund Balance | (289,690) | (114,008) | 175,682 |
| FUND BALANCE - BEGINNING | <u>1,155,005</u> | <u>1,155,005</u> | <u>0</u> |
| FUND BALANCE - ENDING | \$ <u>865,315</u> | \$ <u>1,040,997</u> | \$ <u>175,682</u> |

See accompanying note to budgetary comparison schedule.

**MARLBOROUGH TOWNSHIP
BUDGETARY COMPARISON SCHEDULE – STATE LIQUID FUELS FUND
YEAR ENDED DECEMBER 31, 2021**

| | Budget Original and Final | <u>Actual Amounts</u> | Variance Positive (Negative) |
|---|---------------------------------|-----------------------|------------------------------------|
| <u>Revenues:</u> | | | |
| Intergovernmental revenues | \$ 117,931 | \$ 120,667 | \$ 2,736 |
| Interest and rent revenues..... | <u>800</u> | <u>879</u> | <u>79</u> |
| Total Revenues..... | <u>118,731</u> | <u>121,546</u> | <u>2,815</u> |
| <u>Expenditures:</u> | | | |
| Public works..... | | | |
| Capital outlays..... | | | |
| Total Expenditures | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess of Revenues Over Expenditures | <u>118,731</u> | <u>121,546</u> | <u>2,815</u> |
| Net Change in Fund Balance | 118,731 | 121,546 | 2,815 |
| FUND BALANCE - BEGINNING | <u>271,557</u> | <u>271,557</u> | <u>0</u> |
| FUND BALANCE - ENDING | <u>\$ 390,288</u> | <u>\$ 393,103</u> | <u>\$ 2,815</u> |

See accompanying note to budgetary comparison schedule.

**MARLBOROUGH TOWNSHIP
NOTE TO BUDGETARY COMPARISON SCHEDULE –
GENERAL AND STATE LIQUID FUELS FUNDS
DECEMBER 31, 2021**

Note 1 – Funds and Basis of Accounting:

The Budgetary Comparison Schedules are presented for the General Fund and the State Liquid Fuels Funds of the Township. They are prepared on the modified cash basis of accounting.

**MARLBOROUGH TOWNSHIP NON-UNIFORM EMPLOYEES PENSION PLAN
SCHEDULES OF CHANGES IN PLAN'S NET PENSION
LIABILITY AND RELATED RATIOS**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|----------------------------|----------------------------|
| Total Pension Liability | | | | | | | | |
| Service cost (beginning of year)..... | \$ 19,587 | \$ 25,597 | \$ 26,621 | \$ 26,308 | \$ 27,360 | \$ 20,798 | \$ 21,630 | \$ 23,592 |
| Interest (includes interest on service cost)..... | 32,705 | 37,224 | 41,200 | 41,930 | 46,049 | 40,346 | 42,897 | 47,404 |
| Differences between expected and actual experience..... | 0 | 1,414 | 0 | (54,222) | 0 | (127,208) | 0 | 2,826 |
| Changes of assumptions..... | 0 | 14,812 | 0 | 2,094 | 0 | 0 | 0 | 20,620 |
| Benefit payments, including refunds of employee contributions..... | <u>(11,486)</u> | <u>(8,447)</u> | <u>(5,644)</u> | <u>(4,243)</u> | <u>(16,667)</u> | <u>(25,542)</u> | <u>(25,542)</u> | <u>(25,542)</u> |
| Net change in total pension liability..... | \$ 40,806 | \$ 70,600 | \$ 62,177 | \$ 11,867 | \$ 56,742 | \$ (91,606) | \$ 38,985 | \$ 68,900 |
| Total pension liability – beginning..... | <u>453,365</u> | <u>494,171</u> | <u>564,771</u> | <u>626,948</u> | <u>638,815</u> | <u>695,557</u> | <u>603,951</u> | <u>642,936</u> |
| Total pension liability – ending..... | \$ <u>494,171</u> | \$ <u>564,771</u> | \$ <u>626,948</u> | \$ <u>638,815</u> | \$ <u>695,557</u> | \$ <u>603,951</u> | \$ <u>642,936</u> | \$ <u>711,836</u> |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions – employer..... | \$ 13,346 | \$ 14,635 | \$ 18,039 | \$ 15,965 | \$ 9,768 | \$ 11,286 | \$ 696 | \$ 1,546 |
| Contributions – state aid..... | 15,491 | 19,604 | 21,873 | 22,941 | 23,422 | 20,482 | 19,695 | 19,189 |
| Net investment income..... | 15,304 | (5,896) | 31,897 | 76,794 | (42,060) | 114,266 | 92,809 | 92,728 |
| Benefit payments, including refunds of employee contributions..... | <u>(11,486)</u> | <u>(8,447)</u> | <u>(5,644)</u> | <u>(4,243)</u> | <u>(16,667)</u> | <u>(25,542)</u> | <u>(25,542)</u> | <u>(25,542)</u> |
| Administrative expense..... | <u>(3,700)</u> | <u>(7,200)</u> | <u>(4,700)</u> | <u>(7,800)</u> | <u>(4,700)</u> | <u>(8,300)</u> | <u>(5,000)</u> | <u>(8,300)</u> |
| Net change in plan fiduciary net position..... | \$ 28,955 | \$ 12,696 | \$ 61,465 | \$ 103,657 | \$ (30,237) | \$ 112,192 | \$ 82,658 | \$ 79,621 |
| Plan fiduciary net position – beginning..... | <u>398,352</u> | <u>427,307</u> | <u>440,003</u> | <u>501,468</u> | <u>605,125</u> | <u>574,888</u> | <u>687,080</u> | <u>769,738</u> |
| Plan fiduciary net position – ending..... | \$ <u>427,307</u> | \$ <u>440,003</u> | \$ <u>501,468</u> | \$ <u>605,125</u> | \$ <u>574,888</u> | \$ <u>687,080</u> | \$ <u>769,738</u> | \$ <u>849,359</u> |
| Net pension liability – ending..... | \$ <u>66,864</u> | \$ <u>124,768</u> | \$ <u>125,480</u> | \$ <u>33,690</u> | \$ <u>120,669</u> | \$ <u>(83,129)</u> | \$ <u>(126,802)</u> | \$ <u>(137,523)</u> |
| Plan fiduciary net position as a percentage of total pension liability..... | 86.5% | 77.9% | 80.0% | 94.7% | 82.7% | 113.8% | 119.7% | 119.3% |
| Covered employee payroll..... | \$ 223,236 | \$ 284,628 | \$ 294,094 | \$ 83,344 | \$ 246,138 | \$ 231,108 | \$ 246,230 | \$ 250,000 |
| Net pension liability as a percentage of covered employee payroll..... | 30.0% | 43.8% | 42.7% | 11.9% | 49.0% | (36.0)% | (51.5)% | (55.0)% |

Notes to Schedules:

Assumption Changes – In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA. In 2021, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubG-2010.

Benefit Changes – None.

*This schedule will be presented on a prospective basis.

**MARLBOROUGH TOWNSHIP POLICE PENSION PLAN
SCHEDULES OF CHANGES IN PLAN'S NET PENSION
LIABILITY AND RELATED RATIOS**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total Pension Liability | | | | | | | | |
| Service cost (beginning of year) | \$ 22,668 | \$ 31,674 | \$ 32,941 | \$ 37,161 | \$ 38,647 | \$ 40,924 | \$ 42,561 | \$ 55,059 |
| Interest (includes interest on service cost) | 86,560 | 88,739 | 91,006 | 96,309 | 99,509 | 104,467 | 108,508 | 116,643 |
| Differences between expected and actual experience | 0 | (30,065) | 0 | 32,348 | 0 | 19,736 | 0 | (2,000) |
| Changes of assumptions | 0 | 32,250 | 0 | 4,521 | 0 | 0 | 0 | 43,928 |
| Benefit payments, including refunds of employee contributions | <u>(89,289)</u> | <u>(89,289)</u> | <u>(89,289)</u> | <u>(89,289)</u> | <u>(89,289)</u> | <u>(89,289)</u> | <u>(89,289)</u> | <u>(89,289)</u> |
| Net change in total pension liability | \$ 19,939 | \$ 33,309 | \$ 34,658 | \$ 81,050 | \$ 48,863 | \$ 75,838 | \$ 61,780 | \$ 124,341 |
| Total pension liability – beginning | 1,258,547 | 1,278,486 | 1,311,795 | 1,346,453 | 1,427,503 | 1,476,366 | 1,522,204 | 1,613,984 |
| Total pension liability – ending | <u>\$ 1,278,486</u> | <u>\$ 1,311,795</u> | <u>\$ 1,346,453</u> | <u>\$ 1,427,503</u> | <u>\$ 1,476,366</u> | <u>\$ 1,552,204</u> | <u>\$ 1,613,984</u> | <u>\$ 1,738,325</u> |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions – employer | \$ 34,314 | \$ 35,333 | \$ 37,148 | \$ 40,346 | \$ 33,508 | \$ 33,111 | \$ 32,342 | \$ 38,600 |
| Contributions – state aid | 23,236 | 23,525 | 26,248 | 27,530 | 28,106 | 30,723 | 39,391 | 38,378 |
| Contributions – member | 5,640 | 5,822 | 6,565 | 6,807 | 7,213 | 8,791 | 9,310 | 9,794 |
| Net investment income | 39,711 | (15,901) | 71,024 | 159,676 | (80,714) | 217,429 | 171,863 | 173,367 |
| Benefit payments, including refunds of employee contributions | (89,289) | (89,289) | (89,289) | (89,289) | (89,289) | (89,289) | (89,289) | (89,289) |
| Administrative expense | (4,220) | (6,900) | (4,500) | (7,500) | (4,500) | (8,000) | (4,800) | (8,000) |
| Net change in plan fiduciary net position | \$ 9,392 | \$ (47,410) | \$ 47,196 | \$ 137,570 | \$ (105,676) | \$ 192,765 | \$ 158,817 | \$ 162,850 |
| Plan fiduciary net position – beginning | 1,062,853 | 1,072,245 | 1,024,835 | 1,072,031 | 1,209,601 | 1,103,925 | 1,296,690 | 1,455,507 |
| Plan fiduciary net position – ending | <u>\$ 1,072,245</u> | <u>\$ 1,024,835</u> | <u>\$ 1,072,031</u> | <u>\$ 1,209,601</u> | <u>\$ 1,103,925</u> | <u>\$ 1,296,690</u> | <u>\$ 1,455,507</u> | <u>\$ 1,618,357</u> |
| Net pension liability – ending | \$ 206,241 | \$ 286,960 | \$ 274,422 | \$ 217,902 | \$ 372,441 | \$ 255,514 | \$ 158,477 | \$ 119,968 |
| Plan fiduciary net position as a percentage of total pension liability | 83.9% | 78.1% | 79.6% | 84.7% | 74.8% | 83.5% | 90.2% | 93.1% |
| Covered employee payroll | \$ 209,544 | \$ 220,890 | \$ 226,844 | \$ 264,710 | \$ 274,288 | \$ 292,936 | \$ 326,000 | \$ 370,000 |
| Net pension liability as a percentage of covered employee payroll | 98.4% | 129.9% | 121.0% | 82.3% | 135.8% | 87.2% | 48.6% | 32.4% |

Notes to Schedules:

Assumption Changes – In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA. In 2021, the mortality assumption was changed from the BC RP-2000 Table projected to 2017 using Scale AA to the PubS-2010.

Benefit Changes – None.

*This schedule will be presented on a prospective basis.

**MARLBOROUGH TOWNSHIP NON-UNIFORMED PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution... | \$ 28,837 | \$ 34,239 | \$ 39,912 | \$ 38,906 | \$ 33,190 | \$ 31,768 | \$ 20,391 | \$ 20,735 |
| Contributions made..... | <u>28,837</u> | <u>34,239</u> | <u>39,912</u> | <u>38,906</u> | <u>33,190</u> | <u>31,768</u> | <u>20,391</u> | <u>20,735</u> |
| Contribution Deficiency (Excess)..... | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| Covered-employee payroll..... | \$ 223,236 | \$ 284,628 | \$ 294,094 | \$ 283,344 | \$ 246,138 | \$ 231,108 | \$ 246,230 | \$ 250,000 |
| Contributions as a percentage of covered-employee payroll..... | 12.92% | 12.03% | 13.57% | 13.73% | 13.48% | 13.75% | 8.28% | 8.29% |

* This schedule will be presented on a prospective basis.

**MARLBOROUGH TOWNSHIP POLICE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution.... | \$ 57,550 | \$ 58,857 | \$ 63,396 | \$ 67,876 | \$ 61,614 | \$ 63,834 | \$ 71,733 | \$ 76,978 |
| Contributions made..... | <u>57,550</u> | <u>58,857</u> | <u>63,396</u> | <u>67,876</u> | <u>61,614</u> | <u>63,834</u> | <u>71,733</u> | <u>76,978</u> |
| Contribution Deficiency (Excess)..... | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered-employee payroll..... | \$ 209,544 | \$ 220,890 | \$ 226,844 | \$ 264,710 | \$ 274,288 | \$ 292,936 | \$ 326,000 | \$ 370,000 |
| Contributions as a percentage of covered-employee payroll..... | 27.46% | 26.65% | 27.95% | 25.64% | 22.46% | 21.79% | 22.00% | 20.80% |

* This schedule will be presented on a prospective basis.