



New Garden Township Landenberg, Pennsylvania Chester County

Financial Statements
Year Ended December 31, 2017



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

NEW GARDEN TOWNSHIP

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
<i>Statement of Net Position</i>	15
<i>Statement of Activities</i>	16
<i>Balance Sheet – Governmental Funds</i>	17
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position of Governmental Activities on the Statement of Net Position</i>	18
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	19
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities on the Statement of Activities</i>	20
<i>Statement of Net Position – Proprietary Funds</i>	21
<i>Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds</i>	22
<i>Statement of Cash Flows – Proprietary Funds</i>	23
<i>Statement of Net Position – Fiduciary Funds</i>	24
<i>Statement of Changes in Net Position – Fiduciary Funds</i>	25
<i>Notes to Financial Statements</i>	26
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	49
<i>Schedule of Changes in Net Pension Liability</i>	51
<i>Schedule of Township Pension Contributions</i>	52
<i>Other Post-Employment Benefits Schedule of Funding Progress</i>	53
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS	
<i>Combining Balance Sheet – Nonmajor Governmental Fund Types</i>	54
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Fund Types</i>	55
<i>Combining Statement of Net Position – Fiduciary Funds</i>	56
<i>Combining Statement of Changes in Net Position – Fiduciary Funds</i>	57
SINGLE AUDIT	
<i>Schedule of Expenditures of Federal Awards</i>	58
<i>Notes to Schedule of Expenditures of Federal Awards</i>	59
<i>Summary Schedule of Prior Audit Findings</i>	60

NEW GARDEN TOWNSHIP

CONTENTS (CONTINUED)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	61
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	63
<i>Schedule of Findings and Questioned Costs</i>	65



INDEPENDENT AUDITOR'S REPORT

**Board of Supervisors
New Garden Township
Landenberg, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Garden Township, Landenberg, Pennsylvania as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise New Garden Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Garden Township, Landenberg, Pennsylvania, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited New Garden Township's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund, the schedules of changes in net pension liability and Township pension contributions and the schedule of funding progress other post-employment benefits on pages 3 through 14 and 49 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Garden Township, Landenberg, Pennsylvania's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2018, on our consideration of New Garden Township, Landenberg, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Garden Township, Landenberg, Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
July 20, 2018**

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

Management's discussion and analysis ("**MD&A**") of the financial performance of New Garden Township, Landenberg, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2017. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

The Township was established in 1714 and operates as a Township of a second class under the Township Code of Pennsylvania which is governed by an elected five-member Board of Supervisors. The Township is located in the southern end of Chester County, near the State of Delaware border. The Township is one of 73 municipalities in Chester County and is one of the fastest growing and most populated in the county. The Township encompasses 16 square miles and is approximately 25 miles west of the City of Philadelphia and 12 miles north of Wilmington, Delaware. The Township population was 11,984 according to the 2010 census, and 9,083 according to the 2000 census. The major services provided by the Township include general administration, public safety (police and fire), public works (highways and streets and sewer), planning and zoning, culture and recreation and community development. There are 18 full-time and part-time employees in the Township, including 11 public works, airport and parks employees and 7 other administrative positions which include the Township Manager, Director of Finance, Codes/Zoning Officer, Airport Manager and secretaries and clerks. The Township has traditionally been considered a rural area due to the large amount of agricultural industry in the Township, but has experienced some recent residential and commercial growth.

FINANCIAL HIGHLIGHTS

- * On a government-wide basis including all governmental activities and the business-type activities, the assets and deferred outflows of resources of the Township exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2017 fiscal year of \$54,256,300. During the 2017 fiscal year, the Township had an increase in total net position of \$2,807,674. The net position of the governmental activities increased by \$898,070 and net position of business-type activities increased by \$1,909,604.
- * As of the close of the 2017 fiscal year, the Township's governmental funds reported combined ending fund balances of \$6,879,856, a decrease of \$941,725 in comparison with the prior year. The current year decrease is due to the \$2,300,000 purchase of the Green Valley Farms easement.
- * The General Fund reported an increase in fund balance of \$251,338, bringing the cumulative balance to \$4,154,988 or 73.78% of total General Fund expenditures and other financing uses at the conclusion of the 2017 fiscal year.
- * General Fund revenues and other financing sources were \$729,983 or 14.17% more than budgeted amounts and General Fund expenditures and other financing uses were \$133,015 or 2.42% more than budgeted amounts resulting in a net positive variance of \$596,968.
- * The Township entered into an Intergovernmental Cooperation Agreement with the Borough of West Grove to establish a regional police department to be known as the Southern Chester County Regional Police Department (the "**SCCRPD**"). The SCCRPD will be controlled by a joint Board comprised of officials from the two participating members. The SCCRPD commenced operations on January 1, 2017. In conjunction with the Intergovernmental Cooperation Agreement the Township transferred its own police department operations to the SCCRPD which consisted of assets of \$395,208, deferred outflows of resources of \$529,392, liabilities of \$412,587 and deferred inflows of resources of \$130,742. In accordance with GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", the Township recognized a special item of \$381,271 for the net position transferred to the SCCRPD.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

Governmental Activities

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

Business-type Activities

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

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

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

Governmental Funds

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

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

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

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

The governmental fund financial statements can be found on pages 17 through 20 of this report.

Proprietary Funds

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

The proprietary fund financial statements can be found on pages 21 through 23 of this report.

Fiduciary Funds

The Township is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are not reflected in the government-wide financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township has two pension trust funds (Police and Nonuniform).

The fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 26 through 48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund and schedules concerning the Township's net pension liability and progress in funding its obligation to provide pension and other post-employment benefits, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 49 through 57 of this report.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2017 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$54,256,300. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2017 and 2016.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current assets	\$ 7,353,714	\$ 8,461,440	\$ 4,222,436	\$ 6,365,439	\$11,576,150	\$14,826,879
Noncurrent assets	<u>13,690,938</u>	<u>11,113,893</u>	<u>32,840,981</u>	<u>31,339,381</u>	<u>46,531,919</u>	<u>42,453,274</u>
Total assets	<u>21,044,652</u>	<u>19,575,333</u>	<u>37,063,417</u>	<u>37,704,820</u>	<u>58,108,069</u>	<u>57,280,153</u>
DEFERRED OUTFLOWS						
Deferred charges						
- pensions	<u>298,312</u>	<u>769,465</u>	<u>55,863</u>	<u>33,820</u>	<u>354,175</u>	<u>803,285</u>
LIABILITIES						
Current liabilities	364,140	560,522	416,107	2,841,609	780,247	3,402,131
Noncurrent liabilities	<u>1,944,373</u>	<u>1,539,070</u>	<u>1,393,700</u>	<u>1,497,751</u>	<u>3,338,073</u>	<u>3,036,821</u>
Total liabilities	<u>2,308,513</u>	<u>2,099,592</u>	<u>1,809,807</u>	<u>4,339,360</u>	<u>4,118,320</u>	<u>6,438,952</u>
DEFERRED INFLOWS						
Deferred credits						
- pensions	<u>79,189</u>	<u>188,014</u>	<u>8,435</u>	<u>7,846</u>	<u>87,624</u>	<u>195,860</u>
NET POSITION						
Net investment in capital						
assets	12,153,426	10,334,076	31,211,798	29,944,381	43,365,224	40,278,457
Restricted	2,724,868	3,907,371	-	-	2,724,868	3,907,371
Unrestricted	<u>4,076,968</u>	<u>3,815,745</u>	<u>4,089,240</u>	<u>3,447,053</u>	<u>8,166,208</u>	<u>7,262,798</u>
Total net position	<u>\$18,955,262</u>	<u>\$18,057,192</u>	<u>\$35,301,038</u>	<u>\$33,391,434</u>	<u>\$54,256,300</u>	<u>\$51,448,626</u>

The Township's total assets as of December 31, 2017 were \$58,108,069 of which \$10,092,195 or 17.37% consisted of unrestricted cash and \$46,531,919 or 80.08% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2017 were \$4,118,320 of which \$2,836,695 or 68.88% consisted of general obligation debt and an installment note payable used to acquire and construct capital assets.

Of the Township's total net position at December 31, 2017, \$8,176,768 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors. The Township's unrestricted net position increased by \$903,410 during 2017 primarily due to the results of current year operations.

A portion of the Township's net position reflects its restricted net position which totaled \$2,724,868 as of December 31, 2017. All of the Township's restricted net position relate to the net position of the Township's special revenue, capital and debt service funds.

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2017, the Township's net investment in capital assets increased by \$3,086,767 primarily because capital assets were acquired with funding sources other than long-term debt.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

The following table presents condensed information for the *Statement of Activities* of the Township for 2017 and 2016:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Program revenues						
Charges for services	\$ 753,424	\$ 620,896	\$3,190,159	\$3,298,538	\$ 3,943,583	\$ 3,919,434
Operating grants and contributions	730,369	715,136	-	-	730,369	715,136
Capital grants and contributions	-	-	1,947,070	5,868,253	1,947,070	5,868,253
General revenues						
Taxes	4,790,858	4,852,801	-	-	4,790,858	4,852,801
Franchise fees	230,446	225,543	-	-	230,446	225,543
Investment earnings	22,408	11,386	8,527	6,825	30,935	18,211
Gain on sale of capital assets	-	-	201,161	-	201,161	-
Total revenues	<u>6,527,505</u>	<u>6,425,762</u>	<u>5,346,917</u>	<u>9,173,616</u>	<u>11,874,422</u>	<u>15,599,378</u>
EXPENSES						
General government	1,074,268	897,734	-	-	1,074,268	897,734
Public safety	2,958,192	2,674,622	-	-	2,958,192	2,674,622
Public works	1,023,596	1,052,164	-	-	1,023,596	1,052,164
Culture and recreation	404,774	254,677	-	-	404,774	254,677
Community development	69,090	20,644	-	-	69,090	20,644
Interest and amortization expense related to noncurrent liabilities	16,815	22,043	-	-	16,815	22,043
Sewer operations	-	-	2,391,976	3,071,495	2,391,976	3,071,495
Airport operations	-	-	746,766	742,347	746,766	742,347
Total expenses	<u>5,546,735</u>	<u>4,921,884</u>	<u>3,138,742</u>	<u>3,813,842</u>	<u>8,685,477</u>	<u>8,735,726</u>
Change in net position before transfers and special item	980,770	1,503,878	2,208,175	5,359,774	3,188,945	6,863,652
TRANSFERS	298,571	500	(298,571)	(500)	-	-
SPECIAL ITEM						
Transfer of operations	(381,271)	-	-	-	(381,271)	-
CHANGE IN NET POSITION	<u>\$ 898,070</u>	<u>\$1,504,378</u>	<u>\$1,909,604</u>	<u>\$5,359,274</u>	<u>\$ 2,807,674</u>	<u>\$ 6,863,652</u>

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

In the governmental activities, the Township's earned income tax accounts for approximately 44.14% of the revenue generated. Overall, tax revenues decreased by \$61,943 primarily as a result of a decrease in earned income taxes of \$104,056 in 2017 compared to 2016. Charges for services for governmental activities increased by \$132,528 related to increases in building permits and fees for engineering services. Charges for services for business-type activities decreased by \$108,379 due to a decrease in sewer connection fees which totaled 21 in 2017 compared to 52 in 2016. During 2017 and 2016, the Township expended \$1,947,070 and \$5,868,253, respectively related to two grants through the Pennsylvania Bureau of Aviation for the benefit of capital projects at the New Garden Township Airport.

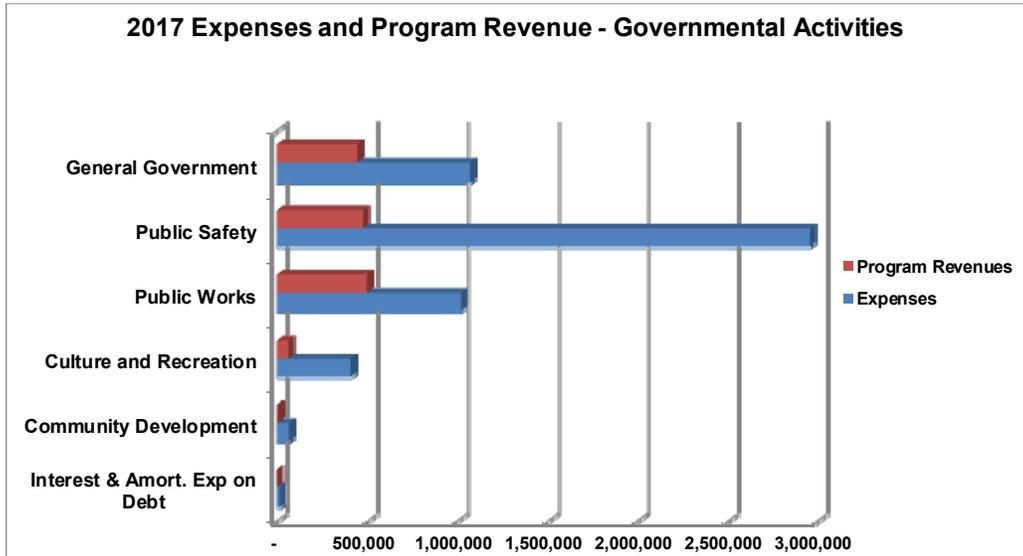
Public safety programs accounted for 53.33%, public works programs 18.45%; and general governmental programs 19.37% of the total expenses in the governmental activities. Public safety expenses increased by \$283,570 in 2017 compared to 2016 due to transitional items associated with the Township's transfer of police operations to the newly created Southern Chester County Regional Police Department. General government expenses increased by \$176,534 in 2017 compared to 2016 as a result of increased legal and engineering services. Sewer expenses decreased by \$679,519 in 2017 compared to 2016 as a result of higher prior year professional services costs associated with the sale of the Township's sewerage system and wastewater disposal.

NEW GARDEN TOWNSHIP

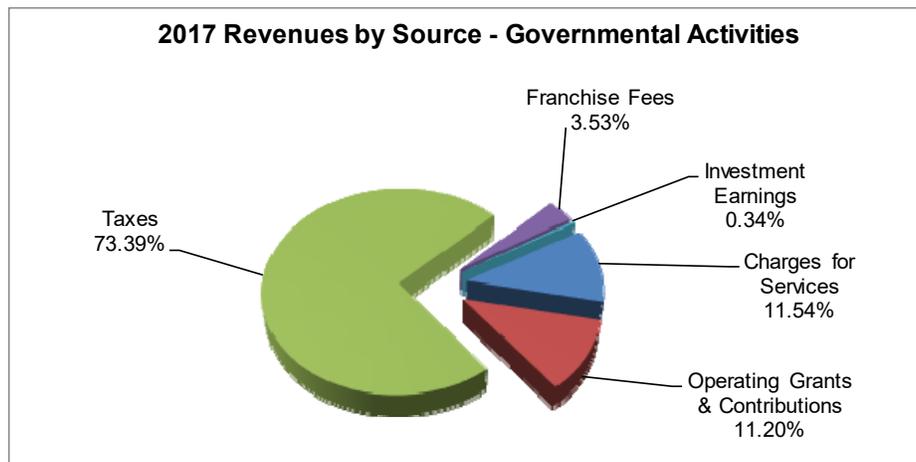
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

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



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



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2017, the Township's governmental funds reported a combined fund balance of \$6,879,856 which is a decrease of \$941,725 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2017 and 2016 and the total 2017 change in governmental fund balances.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

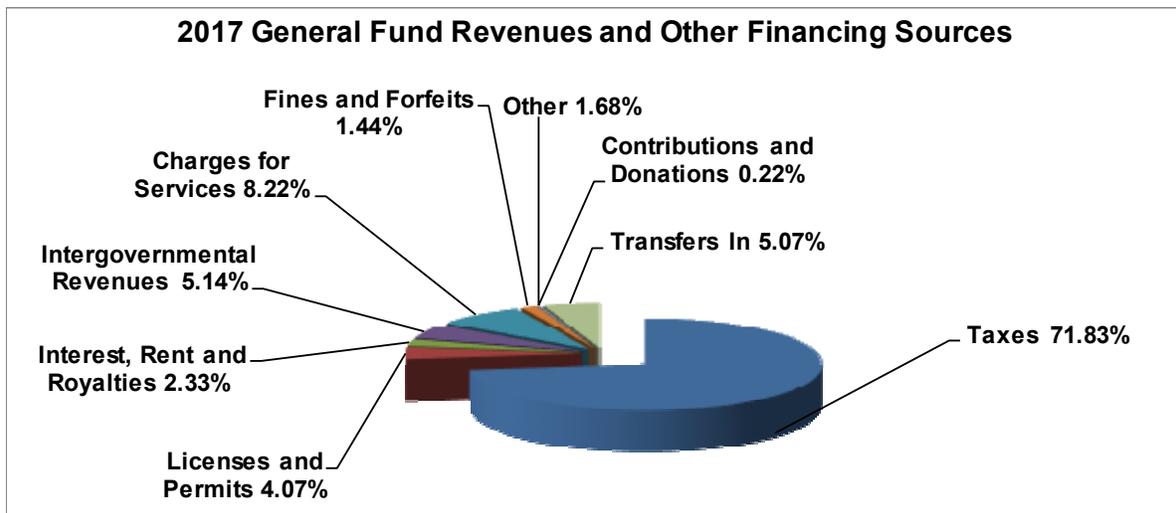
December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
General Fund	\$4,154,988	\$3,903,650	\$ 251,338
Open Space Fund	1,899,588	3,022,484	(1,122,896)
Capital Fund	435,969	390,989	44,980
Debt Service Fund	26,471	21,774	4,697
Nonmajor Governmental Funds	<u>362,840</u>	<u>482,684</u>	<u>(119,844)</u>
	<u>\$6,879,856</u>	<u>\$7,821,581</u>	<u>\$ (941,725)</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2017 fiscal year the General Fund fund balance was \$4,154,988 representing an increase of \$251,338 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2017 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 71.83% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$4,225,730	\$4,296,826	\$ (71,096)	(1.65)
Licenses and permits	239,508	235,398	4,110	1.75
Fines and forfeits	84,751	90,473	(5,722)	(6.32)
Interest, rents and royalties	136,863	118,363	18,500	15.63
Intergovernmental revenues	302,424	309,891	(7,467)	(2.41)
Charges for services	483,524	388,260	95,264	24.54
Contributions and donations	13,025	7,605	5,420	71.27
Other	98,787	126,403	(27,616)	(21.85)
Transfers in	<u>298,571</u>	<u>-</u>	<u>298,571</u>	<u>100.00</u>
	<u>\$5,883,183</u>	<u>\$5,573,219</u>	<u>\$309,964</u>	<u>5.56</u>

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

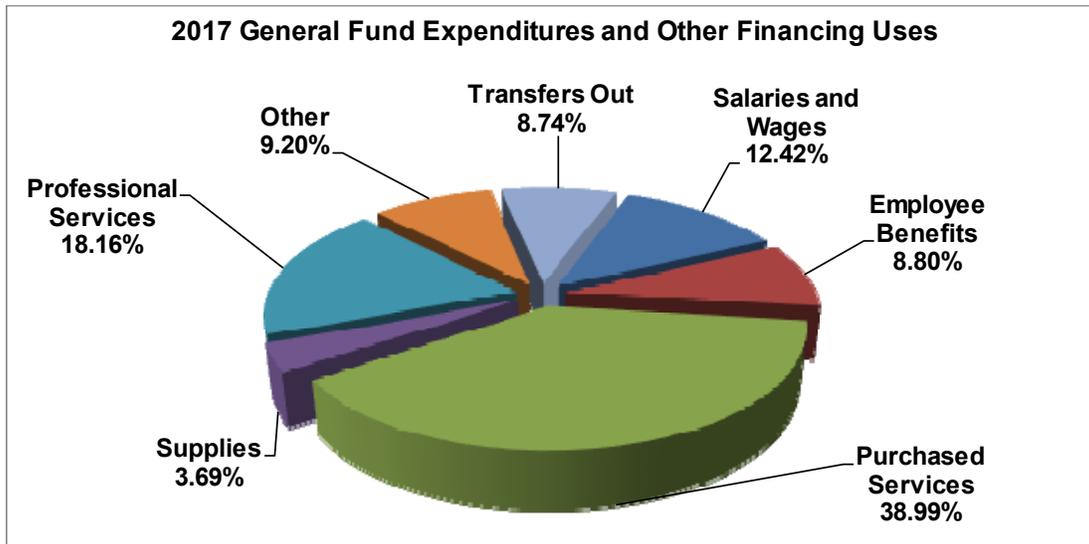
December 31, 2017

Taxes decreased by \$71,096 or 1.65% primarily due to a decrease in earned income taxes received of \$104,056 in 2017 compared to 2016.

Charges for services increased by \$95,264 or 24.54% related to an increase in building permits and fees for engineering services.

Transfers in represent a one-time transfer from the Airport Fund to transfer proceeds from the sale of land which was originally purchased by the General Fund.

As the graph below illustrates, the largest portion of General Fund expenditures is for purchased services due to the Township's agreement with the Southern Chester County Regional Police Department to provide police services.



General Fund Expenditures and Other Financing Uses

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 699,668	\$1,757,633	\$(1,057,965)	(60.19)
Employee benefits	495,717	993,261	(497,544)	(50.09)
Supplies	207,990	223,721	(15,731)	(7.03)
Purchased services	2,195,657	457,650	1,738,007	379.77
Professional services	1,022,756	540,703	482,053	89.15
Other	518,057	520,058	(2,001)	(0.38)
Transfers out	<u>492,000</u>	<u>428,900</u>	<u>63,100</u>	<u>14.71</u>
	<u>\$5,631,845</u>	<u>\$4,921,926</u>	<u>\$ 709,919</u>	<u>14.42</u>

Salaries and wages decreased by \$1,057,965 or 60.19%, employee benefits decreased by \$497,544 or 50.09%, and purchased services increased \$1,738,007 or 379.77% as a result of the regionalization of the police services.

Professional services increased by \$482,053 or 89.15% as a result of increased legal and engineering services.

OPEN SPACE FUND

The Open Space Fund provides funding for preservation of open space within the Township. As of December 31, 2017, the Open Space Fund reported a fund balance of \$1,899,588 which is a decrease of \$1,122,896 from the prior year due to the purchase of the Green Valley Farms easement.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

CAPITAL FUND

The Capital Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Fund is primarily funded through transfers from the General Fund. During 2017, the Capital Fund fund balance increased by \$44,980 for a cumulative balance of \$435,969 as of December 31, 2017 which is committed for future capital purchases.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the Township's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due. As of December 31, 2017, the Debt Service Fund reported a fund balance of \$26,471 which is an increase of \$4,697 from the prior year.

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue funds which are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes. The nonmajor special revenue funds include the Hydrant Fund, the Recreation Fund and the State Liquid Fuels Fund. Major revenue sources for these funds include taxes, intergovernmental revenues and charges for services. During 2017, the Nonmajor Governmental Funds fund balance decreased by \$119,844 for a cumulative balance of \$362,840 as of December 31, 2017. Of the cumulative fund balance at December 31, 2017, \$81,599 is restricted for the State Liquid Fuels Fund. The State Liquid Fuels Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department. Also, within the nonmajor governmental funds the Hydrant Fund and Recreation Fund represent \$274,422 and \$6,819, respectively, of the cumulative fund balance as of December 31, 2017.

GENERAL FUND BUDGET INFORMATION

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

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 49 and 50. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

The Township sewer system was constructed by the Sewer Authority at the request of the Board of Supervisors. The Sewer Authority retains ownership of the system and leases it to the Township, which is responsible for its operation, maintenance and repair. The Board of Supervisors establishes the rates charged to the users of the sewer system. Charges for services decreased by \$261,069 related to a decrease in sewer connection fees. Sewer connection fees totaled 21 in 2017 compared to only in 2016. Sewer expenses decreased by \$679,519 in 2017 compared to 2016 as a result of decreases in professional services associated with the sale of the Township's sewerage system and wastewater disposal.

In January 2007, the Township purchased the New Garden Airport to operate as a public general aviation facility. Revenues generated by the airport are to be solely used for funding airport development and maintenance.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

During 2017, the Township had two active grants from the Pennsylvania Bureau of Aviation for the benefit of capital projects at the New Garden Township Airport. One grant was related to a runway reconstruction and widening project while the other grant was to conduct aeronautical survey LPV approaches. During 2017, the Township expended \$1,844,593 relative to these grants.

The net position of the Township's business-type activities and proprietary funds increased by \$1,909,604 during 2017. The net position of the business-type activities and proprietary funds totaled \$35,301,038 as of December 31, 2017.

CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounted to \$46,531,919 net of accumulated depreciation. This investment in capital assets includes land, construction-in-progress, buildings, land improvements, infrastructure, machinery and equipment and vehicles. The total net increase in the Township's investment in capital assets for 2017 was \$4,078,645 or 9.61%. The increase was the result of current year capital additions in excess of current year depreciation, sales and transferred assets.

Current year capital additions were \$5,395,970, depreciation expense was \$824,707, sale of airport land was \$97,410 and net capital assets transferred to the Southern Chester County Regional Police Department totaled \$395,208.

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

Governmental Activities	
Green Valley Farms easement	\$2,310,551
Road, sidewalk and bridge infrastructure improvements	\$ 452,440
Construction in progress – Police Station	\$ 244,327
Church Road/Morris Trail easement	\$ 135,412
2018 Freightliner chassis	\$ 83,411
Business-Type Activities and Proprietary Funds	
Construction in progress – Runway Project	\$2,004,360
Construction in progress – LPV Aeronautical Survey	\$ 45,188

NONCURRENT LIABILITIES

As of December 31, 2017, the Township had total general obligation debt of \$1,868,695 consisting of \$569,512 in notes payable, \$656,000 in sewer revenue notes, and a \$643,183 Pennsylvania Infrastructure Bank loan. The entire amount is backed by the full faith and credit of the Township. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Township's general obligation debt for the current fiscal year was \$306,122 or 14.07%.

On January 17, 2017, the Township entered into an Infrastructure Bank Loan Agreement with the Pennsylvania Department of Transportation ("**PennDOT**") pursuant to which it borrowed \$702,976. Proceeds from the borrowing were used for various capital projects at the New Garden Township Airport. The note payable is payable in 120 consecutive monthly payments of \$6,351, including interest at a fixed rate of 1.625%, commencing March 2017 with a final payment due February 2027.

On December 28, 2017, the Township entered into an installment note payable agreement for \$986,000 to the seller of the Green Valley Farms easement. The note payable is non-interest bearing and installments are due in two equal payments of \$484,000 on June 30, 2018 and June 30, 2019. The amount outstanding was \$968,000 at December 31, 2017.

The Township reports its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania Municipal Retirement System ("**PMRS**"). The Township's net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$467,702 as of December 31, 2017. The Township's net pension liability decreased by \$199,139 or 29.86% during the current year.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

Other noncurrent liabilities consist of the Township's liability for compensated absences. Its net obligation for other post-employment benefits was transferred entirely to the Southern Chester County Regional Police Department.

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

According to the 2010 U.S. Census, the Township had a population of 11,984 which is an increase of approximately 32% since 2000. The current services provided and infrastructure of the Township is sufficient to meet the Township's current needs. As the growth within the Township continues, the Township will continually evaluate the need to expand services provided to its residents and to upgrade infrastructure to accommodate the growth.

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

New housing growth within the Township has been moderate and an increase in successful property value tax assessment appeals has been decreasing the Township's existing property tax base.

Costs for services and development within the Township have increased at a rate greater than the revenues being generated to pay for these costs.

The Township and the New Garden Sewer Authority issued a request for proposal, including addenda, for the sale and acquisition of its sewerage system to two public utilities and one municipal authority, each of whom expressed interest in owning and operating the Township's sewerage system. After an evaluation of all proposals received to purchase the Township's sewerage system, the Sewer Authority Board and Township Board of Supervisors determined that Aqua Pennsylvania Wastewater, Inc. ("**Aqua**") was the most responsible bidder and represented the best reasonable offer for the purchase of the sewerage system. It is anticipated that the sale of the sewerage system will provide stability in sewer rates to Township rate payers as a result of economies of scale by having the service provided by an organization with larger resources. In August 2016, the Township and Aqua entered into an Asset Purchase Agreement to purchase the sewerage system in the amount of \$29,500,000 pending approval from regulatory agencies. In December 2016, a formal application was filed with the Pennsylvania Public Utility Commission ("**PUC**") requesting approval of the sale and the issuance of a Certificate of Public Convenience permitting Aqua to begin serving the Township. The Pennsylvania PUC adopted an Order on June 14, 2017 and the Order was entered June 29, 2017 approving the application and sale. A 30-day appeal period ran from June 29, 2017. The Bureau of Investigation and Enforcement timely filed with the PUC a Request for Reconsideration. The PUC agreed to consider the Request for Reconsideration and at its meeting in October 2017 the PUC adopted and issued a Revised Order affirming its June Order with modifications. The Office of Consumer Advocate then filed a timely appeal with Commonwealth Court of the October Order issued by the PUC. Required filings are in the process of being prepared and submitted by all parties. The date for oral arguments before the Commonwealth Court is set for September 12, 2018. A decision by the Commonwealth Court is expected November/December 2018. If the decision is favorable to the Township and Aqua, closing on the sale should be completed in February 2019. In the meanwhile, the Sewer Authority is conducting business as usual.

The Township adopted a balanced 2018 General Fund budget totaling \$5,583,870 which used \$342,470 of the General Fund fund balance as of December 31, 2017 and the real estate tax millage rate remained unchanged at 1.62 mills.

The Township is in the process of two capital projects at the New Garden Township Airport for a runway reconstruction and aeronautical survey with an approximate cost of \$7.9 million which are expected to be funded by Federal and State grants through the Pennsylvania Department of Transportation and a loan through the Pennsylvania Transportation Infrastructure Bank. The runway reconstruction project began in 2016 and was completed in early 2018.

In connection with the establishment of the SCCRPD the Township has agreed to finance the construction of a new police headquarters which will be leased to the SCCRPD. In July 2018, bids were opened for the construction of the new police headquarters which totaled approximately \$4.3 million. The new police headquarters is expected to be funded by the sale of the sewerage system.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2017

In July 2018, the Township entered into an agreement of sale with St. Anthony's Church Wilmington, Delaware to purchase 137.9 acres of land for \$1.5 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager, New Garden Township, 299 Starr Road, Landenberg, PA 19350-9208.

NEW GARDEN TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2017 with summarized comparative totals for 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 6,539,106	\$ 3,553,089	\$ 10,092,195	\$ 11,121,021
Taxes receivable	326,416	-	326,416	310,201
Due from other governments	42,896	42,928	85,824	2,429,880
Accounts receivable	42,697	753,440	796,137	706,445
Internal balances	313,994	(313,994)	-	-
Other current assets	<u>88,605</u>	<u>186,973</u>	<u>275,578</u>	<u>259,332</u>
Total current assets	7,353,714	4,222,436	11,576,150	14,826,879
NONCURRENT ASSETS				
Capital assets, net	<u>13,690,938</u>	<u>32,840,981</u>	<u>46,531,919</u>	<u>42,453,274</u>
Total assets	<u>21,044,652</u>	<u>37,063,417</u>	<u>58,108,069</u>	<u>57,280,153</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pensions	<u>298,312</u>	<u>55,863</u>	<u>354,175</u>	<u>803,285</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	225,731	188,965	414,696	3,066,454
Accrued salaries and benefits	14,430	4,044	18,474	39,215
Escrow deposits	123,979	-	123,979	108,609
Other current liabilities	<u>-</u>	<u>223,098</u>	<u>223,098</u>	<u>187,853</u>
Total current liabilities	<u>364,140</u>	<u>416,107</u>	<u>780,247</u>	<u>3,402,131</u>
NONCURRENT LIABILITIES				
Due within one year	695,379	214,689	910,068	949,306
Due in more than one year	<u>1,248,994</u>	<u>1,179,011</u>	<u>2,428,005</u>	<u>2,087,515</u>
Total noncurrent liabilities	<u>1,944,373</u>	<u>1,393,700</u>	<u>3,338,073</u>	<u>3,036,821</u>
Total liabilities	<u>2,308,513</u>	<u>1,809,807</u>	<u>4,118,320</u>	<u>6,438,952</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	<u>79,189</u>	<u>8,435</u>	<u>87,624</u>	<u>195,860</u>
NET POSITION				
Net investment in capital assets	12,153,426	31,211,798	43,365,224	40,278,457
Restricted	2,724,868	-	2,724,868	3,907,371
Unrestricted	<u>4,076,968</u>	<u>4,089,240</u>	<u>8,166,208</u>	<u>7,262,798</u>
Total net position	<u>\$ 18,955,262</u>	<u>\$ 35,301,038</u>	<u>\$ 54,256,300</u>	<u>\$ 51,448,626</u>

See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2017 with summarized comparative totals for 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for	Operating	Capital	Governmental Activities	Business-type Activities	Totals	
		Services	Grants and Contributions	Grants and Contributions			2017	2016
GOVERNMENTAL ACTIVITIES								
General government	\$ 1,074,268	\$ 384,797	\$ 56,976	\$ -	\$ (632,495)	\$ -	\$ (632,495)	\$ (553,348)
Public safety	2,958,192	296,122	178,400	-	(2,483,670)	-	(2,483,670)	(2,189,895)
Public works	1,023,596	22,264	473,713	-	(527,619)	-	(527,619)	(586,321)
Culture and recreation	404,774	50,241	14,780	-	(339,753)	-	(339,753)	(213,601)
Community development	69,090	-	6,500	-	(62,590)	-	(62,590)	(20,644)
Interest expense related to noncurrent liabilities	16,815	-	-	-	(16,815)	-	(16,815)	(22,043)
Total governmental activities	<u>5,546,735</u>	<u>753,424</u>	<u>730,369</u>	<u>-</u>	<u>(4,062,942)</u>	<u>-</u>	<u>(4,062,942)</u>	<u>(3,585,852)</u>
BUSINESS-TYPE ACTIVITIES								
Sewer	2,391,976	2,409,205	-	-	-	17,229	17,229	(482,348)
Airport	746,766	780,954	-	1,947,070	-	1,981,258	1,981,258	5,835,297
Total business-type activities	<u>3,138,742</u>	<u>3,190,159</u>	<u>-</u>	<u>1,947,070</u>	<u>-</u>	<u>1,998,487</u>	<u>1,998,487</u>	<u>5,352,949</u>
Total primary government	<u>\$ 8,685,477</u>	<u>\$ 3,943,583</u>	<u>\$ 730,369</u>	<u>\$ 1,947,070</u>	<u>(4,062,942)</u>	<u>1,998,487</u>	<u>(2,064,455)</u>	<u>1,767,097</u>
GENERAL REVENUES								
Taxes								
Real estate taxes					1,294,107	-	1,294,107	1,294,542
Earned income taxes					2,881,232	-	2,881,232	2,985,288
Real estate transfer taxes					379,847	-	379,847	330,255
Local services taxes					87,841	-	87,841	98,524
Hydrant taxes					138,315	-	138,315	130,590
Amusement taxes					9,516	-	9,516	13,602
Franchise fees					230,446	-	230,446	225,543
Investment earnings					22,408	8,527	30,935	18,211
Gain on sale of capital assets					-	201,161	201,161	-
TRANSFERS					298,571	(298,571)	-	-
Total general revenues and transfers					<u>5,342,283</u>	<u>(88,883)</u>	<u>5,253,400</u>	<u>5,096,555</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM					1,279,341	1,909,604	3,188,945	6,863,652
SPECIAL ITEM								
Transfer of operations					(381,271)	-	(381,271)	-
CHANGE IN NET POSITION					898,070	1,909,604	2,807,674	6,863,652
NET POSITION								
Beginning of year					18,057,192	33,391,434	51,448,626	44,584,974
End of year					<u>\$ 18,955,262</u>	<u>\$ 35,301,038</u>	<u>\$ 54,256,300</u>	<u>\$ 51,448,626</u>

See accompanying notes

NEW GARDEN TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017 with summarized comparative totals for 2016

	Major Funds					Totals	
	General Fund	Open Space Fund	Capital Fund	Debt Service Fund	Nonmajor Governmental Funds	2017	2016
ASSETS							
Cash	\$ 3,747,041	\$ 1,885,949	\$ 427,114	\$ 27,811	\$ 451,191	\$ 6,539,106	\$ 7,026,834
Taxes receivable	279,210	20,278	-	-	26,928	326,416	310,201
Due from other governments	42,896	-	-	-	-	42,896	5,065
Accounts receivable	40,955	-	-	-	1,742	42,697	11,953
Due from other funds	315,584	-	-	-	-	315,584	1,000,681
Prepaid items	19,736	-	10,560	-	-	30,296	30,296
Inventories	58,309	-	-	-	-	58,309	76,410
Total assets	\$ 4,503,731	\$ 1,906,227	\$ 437,674	\$ 27,811	\$ 479,861	\$ 7,355,304	\$ 8,461,440
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 126,462	\$ 6,639	\$ 1,705	\$ -	\$ 90,925	\$ 225,731	\$ 416,753
Accrued salaries and benefits	14,430	-	-	-	-	14,430	35,160
Due to other funds	-	-	-	1,340	250	1,590	-
Escrow deposits	123,979	-	-	-	-	123,979	108,609
Total liabilities	264,871	6,639	1,705	1,340	91,175	365,730	560,522
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - property taxes	83,872	-	-	-	25,846	109,718	79,337
FUND BALANCES							
Nonspendable							
Prepaid items	19,736	-	10,560	-	-	30,296	30,296
Inventories	58,309	-	-	-	-	58,309	76,410
Restricted for							
Debt service	-	-	-	26,471	-	26,471	21,774
Public works - roads	-	-	-	-	81,599	81,599	124,129
Committed to							
Fire hydrant service	-	-	-	-	274,422	274,422	252,166
Capital purchases	-	-	425,409	-	-	425,409	380,429
Culture and recreation	-	-	-	-	6,819	6,819	106,389
Open space	-	1,899,588	-	-	-	1,899,588	3,022,484
Unassigned	4,076,943	-	-	-	-	4,076,943	3,807,504
Total fund balances	4,154,988	1,899,588	435,969	26,471	362,840	6,879,856	7,821,581
Total liabilities, deferred inflows of resources and fund balances	\$ 4,503,731	\$ 1,906,227	\$ 437,674	\$ 27,811	\$ 479,861	\$ 7,355,304	\$ 8,461,440

See accompanying notes

NEW GARDEN TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

December 31, 2017

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,879,856
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	13,690,938
Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	109,718
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported as assets and liabilities in the governmental funds balance sheet.	219,123
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(1,944,373)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,955,262</u>

NEW GARDEN TOWNSHIP

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

Year ended December 31, 2017 with summarized comparative totals for 2016

	Major Funds					Totals	
	General Fund	Open Space Fund	Capital Fund	Debt Service Fund	Nonmajor Governmental Funds	2017	2016
REVENUES							
Taxes	\$ 4,225,730	\$ 413,658	\$ -	\$ -	\$ 121,090	\$ 4,760,478	\$ 4,850,252
Licenses and permits	239,508	-	-	-	-	239,508	235,398
Fines and forfeits	84,751	-	-	-	-	84,751	90,473
Interest, rent and royalties	136,863	5,385	822	47	1,380	144,497	124,195
Intergovernmental revenues	302,424	-	-	-	414,919	717,343	706,023
Charges for services	483,524	-	22,000	-	34,353	539,877	410,022
Contributions and donations	13,025	-	-	-	-	13,025	9,113
Total revenues	5,485,825	419,043	22,822	47	571,742	6,499,479	6,425,476
EXPENDITURES							
Current							
General government	1,288,845	-	11,867	230	-	1,300,942	857,053
Public safety	2,931,665	-	-	-	-	2,931,665	2,901,273
Public works - sanitation	4,550	-	-	-	-	4,550	4,009
Public works - highways and streets	634,512	-	205,543	-	457,910	1,297,965	1,335,769
Public works - other services	58,250	-	2,432	-	101,988	162,670	117,801
Culture and recreation	214,439	-	-	-	149,688	364,127	217,919
Community development	5,114	2,509,939	-	-	-	2,515,053	20,644
Debt service	-	-	-	227,120	-	227,120	231,297
Total expenditures	5,137,375	2,509,939	219,842	227,350	709,586	8,804,092	5,685,765
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	348,450	(2,090,896)	(197,020)	(227,303)	(137,844)	(2,304,613)	739,711
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	22,900	-	-	-	-	22,900	-
Proceeds from installment note payable	-	968,000	-	-	-	968,000	-
Refund of prior year expenditures	75,887	-	-	-	-	75,887	126,403
Refund of prior year receipts	(2,470)	-	-	-	-	(2,470)	(7,294)
Transfers in	298,571	-	242,000	232,000	18,000	790,571	429,400
Transfers out	(492,000)	-	-	-	-	(492,000)	(428,900)
Total other financing sources (uses)	(97,112)	968,000	242,000	232,000	18,000	1,362,888	119,609
NET CHANGE IN FUND BALANCES							
	251,338	(1,122,896)	44,980	4,697	(119,844)	(941,725)	859,320
FUND BALANCES							
Beginning of year	3,903,650	3,022,484	390,989	21,774	482,684	7,821,581	6,962,261
End of year	\$ 4,154,988	\$ 1,899,588	\$ 435,969	\$ 26,471	\$ 362,840	\$ 6,879,856	\$ 7,821,581

See accompanying notes

NEW GARDEN TOWNSHIP

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

Year ended December 31, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (941,725)

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

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

Capital outlay expenditures	\$ 3,302,179	
Depreciation expense	(329,926)	
Disposal of capital assets, net	<u>(395,208)</u>	2,577,045

Because some tax will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources December 31, 2016	(79,337)	
Deferred inflows of resources December 31, 2017	<u>109,718</u>	30,381

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

Repayment of notes payable	210,305	
Proceeds from installment note payable	<u>(968,000)</u>	(757,695)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences	22,963	
Change in other post-employment benefits obligation	138,792	
Change in net pension liability and related deferred inflows and outflows	<u>(171,691)</u>	<u>(9,936)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 898,070

NEW GARDEN TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2017 with summarized comparative totals for 2016

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash	\$ 3,117,751	\$ 242,688	\$ 192,650	\$ 3,553,089	\$ 4,094,187
Due from other governments	-	42,928	-	42,928	2,424,815
Accounts receivable	746,459	6,981	-	753,440	694,492
Due from other funds	3,473	-	-	3,473	-
Other current assets	186,973	-	-	186,973	152,626
Total current assets	4,054,656	292,597	192,650	4,539,903	7,366,120
NONCURRENT ASSETS					
Capital assets, net	3,399,609	15,635,435	13,805,937	32,840,981	31,339,381
Total assets	7,454,265	15,928,032	13,998,587	37,380,884	38,705,501
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges - pensions	21,788	34,075	-	55,863	33,820
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of notes payable	-	60,689	154,000	214,689	739,000
Accounts payable	124,418	64,547	-	188,965	2,649,701
Accrued salaries and benefits	1,251	2,793	-	4,044	4,055
Due to other funds	-	317,467	-	317,467	1,000,681
Other current liabilities	25,000	11,125	186,973	223,098	187,853
Total current liabilities	150,669	456,621	340,973	948,263	4,581,290
NONCURRENT LIABILITIES					
Notes payable, net of current portion	-	582,494	502,000	1,084,494	656,000
Net pension liability	33,832	52,911	-	86,743	95,245
Compensated absences	2,313	5,461	-	7,774	7,506
Total noncurrent liabilities	36,145	640,866	502,000	1,179,011	758,751
Total liabilities	186,814	1,097,487	842,973	2,127,274	5,340,041
DEFERRED INFLOWS OF RESOURCES					
Deferred credits - pensions	3,290	5,145	-	8,435	7,846
NET POSITION					
Net investment in capital assets	3,399,609	14,662,252	13,149,937	31,211,798	29,944,381
Unrestricted	3,886,340	197,223	5,677	4,089,240	3,447,053
Total net position	\$ 7,285,949	\$ 14,859,475	\$ 13,155,614	\$ 35,301,038	\$ 33,391,434

See accompanying notes

NEW GARDEN TOWNSHIP

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

Year ended December 31, 2017 with summarized comparative totals for 2016

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2017	2016
OPERATING REVENUES					
Charges for services	\$ 2,223,628	\$ 748,644	\$ -	\$ 2,972,272	\$ 3,135,818
Other	185,577	32,310	-	217,887	162,720
Total operating revenues	<u>2,409,205</u>	<u>780,954</u>	<u>-</u>	<u>3,190,159</u>	<u>3,298,538</u>
OPERATING EXPENSES					
Salaries and wages	46,907	161,654	-	208,561	206,139
Employee benefits	11,920	39,533	-	51,453	84,252
Administrative expenses	167,054	30,202	48	197,304	261,721
Insurance	20,768	16,933	-	37,701	42,482
Professional services	1,300,413	129,108	-	1,429,521	1,903,462
Repairs and maintenance	7,219	59,998	-	67,217	116,865
Supplies	39,478	190,315	-	229,793	228,016
Utilities	127,067	26,250	-	153,317	147,821
Wastewater treatment services	240,810	-	-	240,810	314,561
Depreciation	81,273	91,142	322,366	494,781	494,057
Total operating expenses	<u>2,042,909</u>	<u>745,135</u>	<u>322,414</u>	<u>3,110,458</u>	<u>3,799,376</u>
Operating income (loss)	<u>366,296</u>	<u>35,819</u>	<u>(322,414)</u>	<u>79,701</u>	<u>(500,838)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	6,898	1,133	496	8,527	6,825
Interest expense	-	(14,868)	(26,653)	(41,521)	(53,742)
Intergovernmental revenues	-	1,947,070	-	1,947,070	5,868,253
Refund of prior year expenses	-	13,237	-	13,237	39,276
Gain on sale of capital assets	-	201,161	-	201,161	-
Total nonoperating revenues (expenses)	<u>6,898</u>	<u>2,147,733</u>	<u>(26,157)</u>	<u>2,128,474</u>	<u>5,860,612</u>
Income (loss) before capital contributions and transfers	<u>373,194</u>	<u>2,183,552</u>	<u>(348,571)</u>	<u>2,208,175</u>	<u>5,359,774</u>
Transfers in	-	-	765,653	765,653	766,742
Transfers out	(765,653)	(298,571)	-	(1,064,224)	(767,242)
CHANGE IN NET POSITION	<u>(392,459)</u>	<u>1,884,981</u>	<u>417,082</u>	<u>1,909,604</u>	<u>5,359,274</u>
NET POSITION					
Beginning of year	<u>7,678,408</u>	<u>12,974,494</u>	<u>12,738,532</u>	<u>33,391,434</u>	<u>28,032,160</u>
End of year	<u>\$ 7,285,949</u>	<u>\$ 14,859,475</u>	<u>\$ 13,155,614</u>	<u>\$ 35,301,038</u>	<u>\$ 33,391,434</u>

See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2017 with summarized comparative totals for 2016

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$ 2,216,192	\$ 763,736	\$ -	\$ 2,979,928	\$ 3,230,611
Payments to suppliers for goods and services	(1,872,361)	(435,890)	(48)	(2,308,299)	(2,924,130)
Payments to employees	(84,247)	(205,466)	-	(289,713)	(294,672)
Other receipts	115,951	32,310	-	148,261	161,285
Net cash provided by (used for) operating activities	375,535	154,690	(48)	530,177	173,094
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	-	4,328,957	-	4,328,957	3,453,597
Refund of prior year receipts	-	-	-	-	-
Refund of prior year expenses	-	13,237	-	13,237	39,276
Transfers from other funds	-	-	800,000	800,000	800,000
Transfers to other funds	(800,000)	(298,571)	-	(1,098,571)	(800,500)
Net cash provided by (used for) noncapital financing activities	(800,000)	4,043,623	800,000	4,043,623	3,492,373
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(24,521)	(5,260,137)	-	(5,284,658)	(3,565,180)
Proceeds from sale of capital assets	-	298,571	-	298,571	-
Proceeds from notes payable	-	702,976	-	702,976	-
Repayment of notes payable	-	(59,793)	(739,000)	(798,793)	(713,000)
Interest paid	-	(14,868)	(26,653)	(41,521)	(53,742)
Net cash used for capital and related financing activities	(24,521)	(4,333,251)	(765,653)	(5,123,425)	(4,331,922)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	6,898	1,133	496	8,527	6,825
Net increase (decrease) in cash	(442,088)	(133,805)	34,795	(541,098)	(659,630)
CASH					
Beginning of year	3,559,839	376,493	157,855	4,094,187	4,753,817
Ending of year	\$ 3,117,751	\$ 242,688	\$ 192,650	\$ 3,553,089	\$ 4,094,187
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 366,296	\$ 35,819	\$ (322,414)	\$ 79,701	\$ (500,838)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	81,273	91,142	322,366	494,781	494,057
(Increase) decrease in					
Accounts receivable	(73,142)	14,194	-	(58,948)	9,615
Due from other funds	(3,473)	(1,339)	-	(4,812)	112,007
Other current assets	-	-	-	-	12,500
Deferred outflows of resources - pensions	(9,033)	(13,010)	-	(22,043)	(3,111)
Increase (decrease) in					
Accounts payable	30,448	18,255	-	48,703	14,360
Accrued salaries and benefits	36	(47)	-	(11)	1,184
Due to other funds	(447)	-	-	(447)	447
Other current liabilities	-	898	-	898	35,227
Compensated absences	109	159	-	268	1,026
Net pension liability	(16,863)	8,361	-	(8,502)	11,817
Deferred inflows of resources - pensions	331	258	-	589	(15,197)
Net cash provided by (used for) operating activities	\$ 375,535	\$ 154,690	\$ (48)	\$ 530,177	\$ 173,094
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ -	\$ 45,187	\$ -	\$ 45,187	\$ 2,509,439
Accounts payable	\$ -	\$ (45,187)	\$ -	\$ (45,187)	\$ (2,509,439)
Due to other funds	\$ -	\$ (273,619)	\$ -	\$ (273,619)	\$ (1,000,234)

See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2017 with summarized comparative totals for 2016

	Pension Trust Funds	
	<u>2017</u>	<u>2016</u>
ASSETS		
Investments	<u>\$ 2,407,858</u>	<u>\$ 4,281,754</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ 2,407,858</u>	<u>\$ 4,281,754</u>

NEW GARDEN TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2017 with summarized comparative totals for 2016

	<u>Pension Trust Funds</u>	
	<u>2017</u>	<u>2016</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 297,405	\$ 512,051
Member contributions	<u>42,377</u>	<u>86,928</u>
Total contributions	<u>339,782</u>	<u>598,979</u>
Investment income		
Interest	<u>107,123</u>	<u>201,361</u>
Total additions	<u>446,905</u>	<u>800,340</u>
DEDUCTIONS		
Benefits paid	34,974	159,859
Administrative expenses	740	760
Other expenses	<u>4,237</u>	<u>3,532</u>
Total deductions	<u>39,951</u>	<u>164,151</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	406,954	636,189
SPECIAL ITEM		
Transfer of operations	<u>(2,280,850)</u>	<u>-</u>
CHANGE IN NET POSITION	(1,873,896)	636,189
NET POSITION		
Beginning of year	<u>4,281,754</u>	<u>3,645,565</u>
End of year	<u>\$ 2,407,858</u>	<u>\$ 4,281,754</u>

See accompanying notes

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Garden Township (the "**Township**") was established in 1714 and operates as a Township of a second class under the Township code of the Commonwealth of Pennsylvania. The Township is governed by an elected five member Board of Supervisors and provides the following services: general government; public safety - fire, ambulance, codes and planning and zoning; public works - highways and streets and sewer; culture and recreation; community development; and a municipal airport.

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the New Garden Township Sewer Authority (the "**Sewer Authority**") is the only component unit of the Township. The Sewer Authority was formed for the sole purpose of planning, constructing, renovating and acquiring certain assets for the collection and treatment of wastewater for the benefit of the residents of the Township. The activities of the Sewer Authority are blended as part of the primary government as a proprietary fund in the accompanying financial statements. The Sewer Authority issues separate audited financial statements which are available to the public through the Township office.

Related Organizations

The New Garden General Authority (the "**General Authority**") is a related organization that has not been included in the reporting entity. The General Authority provides financing to local government units within the Commonwealth of Pennsylvania. The Board consists of five members appointed by the Township Board of Supervisors; however, the Township does not have the ability to impose its will or have a financial benefit or burden relationship. The General Authority issues separate audited financial statements which are available to the public through the Township office. In January 2018, the General Authority adopted a resolution authorizing dissolution.

Joint Venture

The Township participates with the Borough of West Grove in the Southern Chester County Regional Police Department (the "**SCCRPD**") through an Intergovernmental Cooperation Agreement to provide police services to the two participating members. The SCCRPD is controlled by a joint Board comprised of a commission of officials from the two participating members. The governing body of each participating member must approve the annual operating budget of the SCCRPD but the participating members have no ongoing fiduciary interest or responsibility to the SCCRPD. The Township's share of operating costs for police services for 2017 was \$1,886,880. The SCCRPD prepares financial statements that are available to the public through the Township administrative offices.

Basis of Presentation

Government-Wide Financial Statements

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

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

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

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

Fund Financial Statements

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

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Township reports the following major governmental funds:

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

The Open Space Fund accounts for financial resources to be used for land acquisition for the purpose of preserving, protecting and conserving open space within the Township.

The Capital Fund accounts for financial resources restricted, committed or assigned to be used for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and other related costs.

In addition, the Township reports the following nonmajor governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Township expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township reports the following major proprietary funds:

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

The Airport Fund accounts for the activities of the Township for the operation and maintenance of the Township's airport facilities.

The Sewer Authority Fund accounts for the activities of the New Garden Sewer Authority, which is a blended component unit of the Township.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Township's proprietary funds are charges for services. Operating expenses for the Township's proprietary funds include the cost of operations and maintenance and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

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

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

Cash and Cash Equivalents

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

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Taxes

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

January 1 – April 1	- Discount period, 2% of gross levy
April 2 – May 31	- Face period
June 1 to collection	- Penalty period, 10% of gross levy
January 15	- Lien date

The Chester County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the Chester County Treasurer's Office. The tax on real estate for general purposes for fiscal 2017 was 1.62 mills (\$1.62 for \$1,000 of assessed valuation). The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for property taxes receivable.

Other taxes levied in 2017 consisted of the following:

Real estate transfer tax	- 1% of gross sales price
Earned income tax	- 1% for general purposes and .125% for open space acquisition
Local services tax	- \$10.00 per year
Hydrant tax	- .17 mills (\$.17 for \$1,000 of assessed property valuation)
Amusement tax	- 10% of gross receipts

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Accounts Receivable

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

Inventories and Prepaid Items

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20-50 years, infrastructure and pump stations – 50 years, machinery and equipment – 5-20 years, and vehicles – 5-15 years.

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township. No impairment losses were recognized in the year ended December 31, 2017.

Compensated Absences

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Long-Term Obligations

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Township reports the following fund balance classifications:

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

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

Unassigned

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

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective January 1, 2017, the Township adopted the provisions of GASB Statement No. 73, *"Accounting and Financial Reporting for Pension and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68"*, GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, GASB Statement No. 80, *"Blending Requirements for Certain Component Units-Amendment of GASB Statement No. 14"*; GASB Statement No. 81, *"Irrevocable Split-Interest Agreements"* and GASB Statement No. 82, *"Pension Issues-an Amendment of GASB Statements No. 67, No. 68 and No. 73"*.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *"Financial Reporting for Pension Plans"*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 replaces GASB Statements No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, as amended, and GASB Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans"*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans"*, as amended, GASB Statement No. 43, and GASB Statement No. 50, *"Pension Disclosures"*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"*. The implementation of GASB Statement No. 80 had no impact on the financial statements of the Township for the year ended December 31, 2017.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 had no impact on the financial statements of the Township for the year ended December 31, 2017.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

New Accounting Pronouncements

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" will be effective for the Township for the year ended December 31, 2018. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85 "*Omnibus 2017*" will be effective for the Township for the year ended December 31, 2018. The objective of GASB Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)).

GASB Statement No. 86 "*Certain Debt Extinguishment Issues*" will be effective for the Township for the year ended December 31, 2018. The objective of GASB Statement No 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB Statement No. 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt this is defeased in substance.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(3) DEPOSITS

Custodial Credit Risk

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

At December 31, 2017, the carrying amount of the Township's deposits was \$10,092,195 and the bank balance was \$10,111,389. Of the bank balance, \$253,893 was covered by federal depository insurance and \$9,654,846 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Township are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2017, PLGIT was rated AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transferred Assets</u>	<u>Balance December 31, 2017</u>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 1,642,102	\$2,445,963	\$ -	\$ -	\$ 4,088,065
Construction in progress	-	244,327	-	-	244,327
Total capital assets not being depreciated	<u>1,642,102</u>	<u>2,690,290</u>	<u>-</u>	<u>-</u>	<u>4,332,392</u>
Capital assets being depreciated					
Buildings and improvements	5,149,591	-	-	365,833	4,783,758
Land improvements	1,025,618	-	-	-	1,025,618
Infrastructure	5,318,922	452,440	-	-	5,771,362
Machinery and equipment	1,039,139	76,038	-	239,826	875,351
Vehicles	914,134	83,411	-	309,515	688,030
Total capital assets being depreciated	<u>13,447,404</u>	<u>611,889</u>	<u>-</u>	<u>915,174</u>	<u>13,144,119</u>
Less accumulated depreciation for					
Buildings and improvements	(1,438,915)	(111,599)	-	(168,906)	(1,381,608)
Land improvements	(109,339)	(20,512)	-	-	(129,851)
Infrastructure	(1,207,660)	(104,420)	-	-	(1,312,080)
Machinery and equipment	(759,476)	(47,952)	-	(192,980)	(614,448)
Vehicles	(460,223)	(45,443)	-	(158,080)	(347,586)
Total accumulated depreciation	<u>(3,975,613)</u>	<u>(329,926)</u>	<u>-</u>	<u>(519,966)</u>	<u>(3,785,573)</u>
Total capital assets being depreciated, net	<u>9,471,791</u>	<u>281,963</u>	<u>-</u>	<u>395,208</u>	<u>9,358,546</u>
Governmental activities, net	<u>\$ 11,113,893</u>	<u>\$2,972,253</u>	<u>\$ -</u>	<u>\$ 395,208</u>	<u>\$ 13,690,938</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Business-type activities

Capital assets not being depreciated

Land	\$ 8,781,843	\$ -	\$97,410	\$ -	\$ 8,684,433
Construction in progress	<u>5,429,884</u>	<u>2,049,548</u>	<u>-</u>	<u>-</u>	<u>7,479,432</u>

Total capital assets not being depreciated

	<u>14,211,727</u>	<u>2,049,548</u>	<u>97,410</u>	<u>-</u>	<u>16,163,865</u>
--	-------------------	------------------	---------------	----------	-------------------

Capital assets being depreciated

Buildings and improvements	11,127,273	13,082	-	-	11,140,355
Infrastructure	13,759,389	16,129	-	-	13,775,518
Pump stations	1,975,240	-	-	-	1,975,240
Machinery and equipment	425,181	15,032	-	-	440,213
Vehicles	<u>89,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,335</u>

Total capital assets being depreciated

	<u>27,376,418</u>	<u>44,243</u>	<u>-</u>	<u>-</u>	<u>27,420,661</u>
--	-------------------	---------------	----------	----------	-------------------

Less accumulated depreciation for

Buildings and improvements	(4,691,970)	(188,664)	-	-	(4,880,634)
Infrastructure	(4,384,367)	(246,651)	-	-	(4,631,018)
Pump stations	(864,460)	(41,671)	-	-	(906,131)
Machinery and equipment	(223,392)	(13,785)	-	-	(237,177)
Vehicles	<u>(84,575)</u>	<u>(4,010)</u>	<u>-</u>	<u>-</u>	<u>(88,585)</u>

Total accumulated depreciation

	<u>(10,248,764)</u>	<u>(494,781)</u>	<u>-</u>	<u>-</u>	<u>(10,743,545)</u>
--	---------------------	------------------	----------	----------	---------------------

Total capital assets being depreciated, net

	<u>17,127,654</u>	<u>(450,538)</u>	<u>-</u>	<u>-</u>	<u>16,677,116</u>
--	-------------------	------------------	----------	----------	-------------------

Business-type activities, net

	<u>\$ 31,339,381</u>	<u>\$1,599,010</u>	<u>\$97,410</u>	<u>\$ -</u>	<u>\$ 32,840,981</u>
--	----------------------	--------------------	-----------------	-------------	----------------------

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

Governmental activities

General government	\$103,515
Public works	184,668
Culture and recreation	<u>41,743</u>

Total depreciation expense - governmental activities

\$329,926

Business-type activities

Sewer	\$413,508
Airport	<u>81,273</u>

Total depreciation expense - business-type activities

\$494,781

As of December 31, 2017, the Township had outstanding construction projects to be completed. Construction commitments and the amounts completed as of December 31, 2017 are as follows:

	Project Amount	Completed Through December 31, 2017	Remaining Commitments
Airport Runway Project	\$7,708,862	\$7,434,244	\$274,618
LPV Study Grant	<u>165,375</u>	<u>45,188</u>	<u>120,187</u>
	<u>\$7,874,237</u>	<u>\$7,479,432</u>	<u>\$394,805</u>

As of December 31, 2017, the Township had no outstanding construction commitments related to the police station. Construction in progress as of December 31, 2017 consisted of preliminary soft costs related to the construction of the police station.

NEW GARDEN TOWNSHIP,

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Sewer Fund	\$ 3,473	General Fund	\$ 3,473
General Fund	250	Nonmajor Governmental Fund	250
Airport Fund	1,340	Debt Service Fund	1,340
General Fund	<u>318,807</u>	Airport Fund	<u>318,807</u>
	<u>\$ 323,870</u>		<u>\$ 323,870</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of revenues and expenditures. The balances are generally repaid shortly after year-end.

A summary of interfund transfers for the year ended December 31, 2017 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Fund	\$ 242,000	General Fund	\$ 242,000
Nonmajor Governmental Fund	18,000	General Fund	18,000
Sewer Authority Fund	765,653	Sewer Fund	765,653
General Fund	298,571	Airport Fund	298,571
Debt Service Fund	<u>232,000</u>	General Fund	<u>232,000</u>
	<u>\$1,556,224</u>		<u>\$1,556,224</u>

Transfers to the Capital Fund and Nonmajor Governmental Fund from the General Fund represent monies to subsidize costs associated with the acquisition of capital assets. Transfers to the Debt Service Fund from the General Fund represent monies to subsidize costs associated with debt service payments. Transfers to the General Fund from the Airport represent the reimbursement of funds associated with the sale of airport land. Transfers to the Sewer Authority Fund from the Sewer Fund represent lease rental payments pursuant to a long-term lease rental agreement which are equivalent to the annual debt service requirements under the Sewer Authority's Revenue Notes payable (**See Note 6**).

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Transferred Liabilities</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2017</u>	<u>Amount Due Within One Year</u>
Governmental activities						
General obligation debt:						
Notes payable	\$ 779,817	\$ -	\$ -	\$210,305	\$ 569,512	\$211,379
Other noncurrent liabilities						
Installment note payable	-	-	968,000	-	968,000	484,000
Compensated absences	48,866	(23,954)	52,219	51,229	25,902	-
OPEB obligation	138,792	(138,792)	-	-	-	-
Net pension liability	<u>571,595</u>	<u>(249,841)</u>	<u>87,093</u>	<u>27,888</u>	<u>380,959</u>	<u>-</u>
Total other noncurrent liabilities	<u>759,253</u>	<u>(412,587)</u>	<u>1,107,312</u>	<u>79,117</u>	<u>1,374,861</u>	<u>695,379</u>
Total noncurrent liabilities governmental activities	<u>\$1,539,070</u>	<u>\$(412,587)</u>	<u>\$1,107,312</u>	<u>\$289,422</u>	<u>\$1,944,373</u>	<u>\$695,379</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Noncurrent liabilities of governmental activities are to be liquidated by the General Fund and Open Space Fund.

Business-type activities

General obligation debt:

Sewer revenue notes	\$1,395,000	\$ -	\$ -	\$739,000	\$ 656,000	\$154,000
PIB loan	-	-	702,976	59,793	643,183	60,689

Other noncurrent liabilities

Net pension liability	95,245	-	8,361	16,863	86,743	-
Compensated absences	7,506	-	13,071	12,803	7,774	-

Total noncurrent liabilities

business-type activities	<u>\$1,497,751</u>	<u>\$ -</u>	<u>\$ 724,408</u>	<u>\$828,459</u>	<u>\$1,393,700</u>	<u>\$214,689</u>
---------------------------------	--------------------	-------------	-------------------	------------------	--------------------	------------------

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

General Obligation Debt

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

General obligation debt outstanding as of December 31, 2017 consisted of the following:

Governmental Activities

On July 15, 2003, the Township issued a \$2,000,000 Note Payable (the "**Series 2003 Note**") to a financial institution. The proceeds of the Series 2003 Note were used for (a) the construction of a new Township building and (b) payment of the costs to issue the Series 2003 Note. The Series 2003 Note was payable in 228 fixed monthly payments of \$12,791, including interest at 4.18%, through July 15, 2013 at which time the remaining principal was due in its entirety. However, the Township received an extension on the Series 2003 Note until December 2013.

On December 20, 2013, the Township refinanced the Series 2003 Note described in the previous paragraph with a \$1,207,072 note payable (the "**Series 2013 Note**") to the same financial institution due in 84 monthly payments of varying amounts, including interest at 2.42% through December 2020. The Series 2013 Note is secured by the guaranty of the Township. The amount outstanding under the Series 2013 Note was \$517,316 at December 31, 2017.

On April 22, 2014, the Township issued a \$186,000 Note Payable (the "**Series 2014 Note**") to a financial institution. The proceeds of the Series 2014 Note were used for (a) the purchase of police vehicles, road maintenance and repair equipment and accounting software and (b) payment of the costs to issue the Series 2014 Note. The Series 2014 Note is payable in 59 fixed monthly payments of \$3,325, including interest at 2.758%, through April 22, 2019, at which time the remaining principal is due in its entirety. The Series 2014 Note is secured by the guaranty of the Township. The amount outstanding under the Series 2014 Note was \$52,196 at December 31, 2017.

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

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2018	\$211,379	\$11,568	\$222,947
2019	185,695	6,510	192,205
2020	172,438	2,261	174,699
	<u>\$569,512</u>	<u>\$20,339</u>	<u>\$589,851</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Business-Type Activities

On March 1, 2001, the Sewer Authority issued a \$2,350,000 Sewer Revenue Note (the "**Series 2001 Note**") to DVRFA. The proceeds of the Series 2001 Note were used for (a) the acquisition of an existing sewer system, (b) the construction of new collection and treatment facilities, (c) the renovation of existing collection and treatment facilities, (d) the payment of interest costs during construction, and (e) the payment of costs incurred to issue the Series 2001 Note. The Series 2001 Note is payable annually in varying amounts from February 2002 to February 2021 and is secured by the guaranty of the Township. Interest is payable monthly at a fixed rate of 4.445%, pursuant to the Interest Rate Management Plan described below. The amount outstanding under the Series 2001 Note was \$656,000 at December 31, 2017.

On May 10, 2007, the Sewer Authority issued a \$5,265,000 Sewer Revenue Note (the "**Series 2007 Note**") to DVRFA. The proceeds of the Series 2007 Note were used for (a) the refunding of the Guaranteed Sewer Revenue Note, Series of 1997 and (b) payment of the costs to issue the Series 2007 Note. The Series 2007 Note is payable annually in varying amounts from October 2007 to October 2017 and is secured by the guaranty of the Township. Interest on the Series 2007 Note is payable monthly at both fixed and variable rates pursuant to the Interest Rate Management Plan described below, as follows: \$526,000 of the Series of 2007 Note bear interest at a fixed rate of 0.9520% through October 25, 2013; \$526,000 of the Series 2007 Note bear interest at a fixed rate of 4.0630% through October 25, 2015; \$3,685,000 of the Series 2007 Note bear interest at a fixed rate of 4.0870% through October 25, 2017; and \$528,000 of the Series 2007 Note bear interest at a variable rate that is adjusted weekly based upon the Securities Industry and Financial Markets Association. The Series 2007 Note was paid in full at December 31, 2017.

On February 1, 2017, the Township issued a \$702,976 Note Payable (the "**PIB Loan**") to the Pennsylvania Infrastructure Bank. The proceeds of the PIB Loan were used to (a) widen and reconstruct runway pavement from 50 to 60 feet, (b) remove or light trees that have been identified as hazardous, (c) relocate an existing National Geodetic Survey monument, (d) construct new medium intensity runway lighting with pilot control, (e) construct two additional hangars, and (f) relocate the airport's existing main power feed unit. The PIB Loan is payable in 121 fixed monthly payments of \$6,351, including interest at 1.625%, through February 1, 2027. The PIB Loan is secured by the guaranty of the Township. The amount outstanding under the PIB Loan was \$643,183 at December 31, 2017.

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

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2018	\$ 214,689	\$17,052	\$ 231,741
2019	227,245	14,472	241,717
2020	235,346	10,894	246,240
2021	244,465	7,182	251,647
2022	70,602	5,609	76,211
2023-2027	<u>306,836</u>	<u>10,712</u>	<u>317,548</u>
	<u>\$1,299,183</u>	<u>\$65,921</u>	<u>\$1,365,104</u>

The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2017.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Interest Rate Management Plan

The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the Township, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to the participants, DVRFA has entered into an interest rate swap agreement with a financial institution. In the event that the swap agreement between DVRFA and the financial institution is terminated, the value of the swap to DVRFA at the time of termination is a liability and insufficient funds are available to pay the liability, the participants are required to pay their proportionate share of the liability. The values of the swap agreement relative to the Series 2001 Note at December 31, 2017 was an asset of \$100,405. The value of the swap agreement relative to the Series 2001 Note is not reflected on the Township's statement of net position.

Installment Note Payable

On December 28, 2017, the Township entered into an installment note payable agreement for \$968,000 with the seller associated with the purchase of the Green Valley Farms easement. The payments are due in two equal installments of \$484,000 due on June 30, 2018 and June 30, 2019. The installment note payable is non-interest bearing. The amount outstanding was \$968,000 at December 31, 2017.

Other Post-Employment Benefits

The Township's other post-employment benefits previously included a single-employer defined benefit plan that provided medical insurance to certain eligible retired or service disabled police officers and their spouses and dependents. This liability was transferred to the Southern Chester County Regional Police Department at the commencement of operations on January 1, 2017 (**See Note 11**).

(7) EMPLOYEE RETIREMENT PLANS

Police Pension Fund

The New Garden Township Police Pension Fund accounts for a single-employer defined benefit pension plan (the "**Police Pension Plan**") controlled by the provisions of Ordinance Number 131 of the Township. The Police Pension Plan participates in the Pennsylvania Municipal Retirement System ("**PMRS**"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165; or by accessing its website at www.pMrs.state.pa.us.

As of January 1, 2017, the net pension liability and related deferred outflows and inflows of the Police Pension Fund for active employees were transferred to the Southern Chester County Regional Police Department at the commencement of operations (**See Note 11**).

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2017:

Active employees	-
Retirees and beneficiaries currently receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>3</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Benefit Provisions

The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Police Pension Plan.

Basis of Accounting

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

Method Used to Value Investments

Investments in the Police Pension Plan are reported at fair value. The Police Pension Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's comprehensive annual financial report.

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 5.00% of total compensation. The Commonwealth of Pennsylvania provides an allocation of funds which must be used for pension funding. Any funding requirements established by the MMO in excess of employee and state contributions must be funded by the Township. The Township's 2017 MMO contribution totaled \$180,564 and employee contributions totaled \$1,619.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.25% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and age related scale for merit/seniority for salary projections. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 5.00 years.

Discount Rate

The discount rate used to measure the total pension liability is 5.25%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PMRS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	9.4%	6.4%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.0%
International Equities (International Developed Markets)	15%	6.7%	3.7%
International Equities (Emerging Markets)	10%	10.9%	7.9%
Real Estate	20%	10.0%	7.0%
Fixed Income	15%	5.4%	2.4%
Total Portfolio	100%	8.8%	5.8%

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2016.

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2016. The total pension liability was determined by an actuarial valuation as of December 31, 2016, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$21,832 measured as the difference between the total pension liability of \$616,796 and the fiduciary net position of \$594,964.

As of December 31, 2017, the net pension liability of \$21,832 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2015	<u>\$ 3,494,964</u>	<u>\$ 3,195,404</u>	<u>\$ 299,560</u>
Changes for the year:			
Service cost	22,694	-	22,694
Interest on total pension liability	32,800	-	32,800
Changes of assumptions	18,781	-	18,781
Differences between expected and actual experience	(24,574)	-	(24,574)
Employer contributions	-	26,210	(26,210)
Contributions – PMRS assessment	-	60	(60)
Member contributions	-	8,171	(8,171)
PMRS investment income	-	31,568	(31,568)
Market value investment income	-	13,176	(13,176)
Transfers	(2,914,898)	(2,665,057)	(249,841)
Benefit payments	(12,971)	(12,971)	-
PMRS administrative expense	-	(50)	50
Additional administrative expense	-	(1,547)	1,547
Net changes	<u>(2,878,168)</u>	<u>(2,600,440)</u>	<u>(277,728)</u>
Balances as of December 31, 2016	<u>\$ 616,796</u>	<u>\$ 594,964</u>	<u>\$ 21,832</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the township calculated using the discount rate 5.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	1% Decrease <u>4.25%</u>	Current Discount Rate <u>5.25%</u>	1% Increase <u>6.25%</u>
Net Pension Liability (Asset)	\$106,350	\$21,832	\$(48,441)

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2017, the Township recognized negative pension expense of \$28,679. At December 31, 2017, the Township reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$11,831	\$21,590
Changes in assumptions	16,433	22,678
Net difference between projected and actual earnings on pension plan investments	8,800	-
Contributions subsequent to the measurement date	<u>29,969</u>	<u>-</u>
	<u>\$67,033</u>	<u>\$44,268</u>

An amount of \$29,969 reported as deferred outflows of resources related to pensions resulting from the Township contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year ended December 31:

2018	\$ 1,891
2019	1,892
2020	1,639
2021	(4,639)
2022	(2,004)
Thereafter	<u>(5,983)</u>
	<u>\$(7,204)</u>

Actuarial Methods and Significant Assumptions

- Discount rate – 5.25%
- Inflation – 3.00%
- Salary increases – age related scale with merit and inflation component
- Cost of living adjustments – 3.00% for those eligible for a COLA
- Pre-retirement mortality – Males – RP 2000 with 1 year set back; Females – RP 2000 with 5 year set back.
- Post-retirement mortality – Sex distinct – RP 2000 combined healthy mortality.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Nonuniform Pension Fund

The New Garden Township Nonuniform Pension Fund accounts for a single-employer defined benefit pension plan (the "**Nonuniform Pension Plan**") controlled by the provisions of Ordinance Number 132 of the Township. The Nonuniform Pension Plan participates in the Pennsylvania Municipal Retirement System ("**PMRS**"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165; or by accessing its website at <http://www.pMrs.state.pa.us>.

Plan Membership

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2017:

Active employees	13
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>20</u>

Benefit Provisions

The Nonuniform Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Nonuniform Pension Plan.

Basis of Accounting

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

Method Used to Value Investments

Investments in the Nonuniform Pension Plan are reported at fair value. The Nonuniform Pension Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's comprehensive annual financial report.

Contributions

Annual contributions to the Nonuniform Pension Plan are based upon the minimum municipal obligation (the "**MMO**"). The MMO is derived from the Nonuniform Pension Plan's biennial actuarial valuation. Members in the Nonuniform Pension Plan are required to contribute 5.00% of total compensation. The Commonwealth of Pennsylvania provides an allocation of funds which must be used for pension funding. Any funding requirements established by the MMO in excess of employee and state contributions must be funded by the Township. The Township's 2017 MMO contribution totaled \$116,841 and employee contributions totaled \$40,758.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.25% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and age related scale for merit/seniority for salary projections. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 5.00 years.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Discount Rate

The discount rate used to measure the total pension liability is 5.25%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PMRS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	9.4%	6.4%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.0%
International Equities (International Developed Markets)	15%	6.7%	3.7%
International Equities (Emerging Markets)	10%	10.9%	7.9%
Real Estate	20%	10.0%	7.0%
Fixed Income	15%	5.4%	2.4%
Total Portfolio	100%	8.8%	5.8%

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2016.

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2016. The total pension liability was determined by an actuarial valuation as of December 31, 2016, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$445,870 measured as the difference between the total pension liability of \$3,011,946 and the fiduciary net position of \$2,566,076. As of December 31, 2017, \$359,127 of the net pension liability is related to the governmental funds and is only recorded in the government-wide statement of net position. The remaining \$86,743 of the net pension liability is recorded as liability in the Sewer Fund for \$33,832 and in the Airport Fund for \$52,911 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2015	<u>\$2,699,686</u>	<u>\$2,332,406</u>	<u>\$ 367,280</u>
Changes for the year:			
Service cost	85,480	-	85,480
Interest on total pension liability	149,987	-	149,987
Changes of assumptions	81,098	-	81,098
Differences between expected and actual experience	113,532	-	113,532
Employer contributions	-	115,896	(115,896)
Contributions – PMRS assessment	-	400	(400)
Member contributions	-	37,695	(37,695)
PMRS investment income	-	137,335	(137,335)
Market value investment income	-	67,269	(67,269)
Transfers	-	-	-
Benefit payments	(117,837)	(117,837)	-
PMRS administrative expense	-	(360)	360
Additional administrative expense	-	(6,728)	6,728
Net changes	<u>312,260</u>	<u>233,670</u>	<u>78,590</u>
Balances as of December 31, 2016	<u>\$3,011,946</u>	<u>\$2,566,076</u>	<u>\$ 445,870</u>

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the Township calculated using the discount rate 5.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	<u>1% Decrease 4.25%</u>	<u>Current Discount Rate 5.25%</u>	<u>1% Increase 6.25%</u>
Net Pension Liability (Asset)	\$806,530	\$445,870	\$140,674

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2017, the Township recognized net negative pension expense of \$35,753. At December 31, 2017, the Township reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 99,340	\$ 9,588
Changes in assumptions	70,961	23,654
Net difference between projected and actual earnings on pension plan investments	-	10,114
Contributions subsequent to the measurement date	<u>116,841</u>	<u>-</u>
	<u>\$287,142</u>	<u>\$43,356</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

An amount of \$116,841 reported as deferred outflows of resources related to pensions resulting from the Township contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year ended December 31:

2018	\$ 13,603
2019	13,602
2020	31,544
2021	5,017
2022	18,467
Thereafter	<u>44,712</u>
	<u>\$126,945</u>

Actuarial Methods and Significant Assumptions

- Discount rate – 5.25%
- Inflation – 3.00%
- Salary increases – age related scale with merit and inflation component
- Cost of living adjustments – 3.00% for those eligible for a COLA
- Pre-retirement mortality – Males – RP 2000 with 1 year set back; Females – RP 2000 with 5 year set back.
- Post-retirement mortality – Sex distinct – RP 2000 combined healthy mortality.

(8) CONTINGENCIES AND COMMITMENTS

Bulk Wastewater Treatment Agreements

The Township has entered into long term agreements with the Boroughs of Kennett Square and Avondale for wastewater treatment services. The agreement with Kennett Square began in March 1991 and is for a period of 40 years and the agreement with Avondale began in May 2006 and is for a period of 32 years. The Township purchased wastewater treatment services from the Borough of Kennett Square and Avondale totaling \$240,810 for the year ended December 31, 2017.

Government Grants and Awards

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

Litigation

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(9) RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverage during 2017. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(10) SALE OF SEWERAGE SYSTEM

The Township and the New Garden Sewer Authority issued a request for proposal, including addenda, for the sale and acquisition of its sewerage system to two public utilities and one municipal authority, each of whom expressed interest in owning and operating the Township's sewerage system. After an evaluation of all proposals received to purchase the Township's sewerage system, the Sewer Authority Board and Township Board of Supervisors determined that Aqua Pennsylvania Wastewater, Inc. ("**Aqua**") was the most responsible bidder and represented the best reasonable offer for the purchase of the sewerage system. It is anticipated that the sale of the sewerage system will provide stability in sewer rates to Township rate payers as a result of economies of scale by having the service provided by an organization with larger resources. In August 2016, the Township and Aqua entered into an Asset Purchase Agreement to purchase the sewerage system in the amount of \$29,500,000 pending approval from regulatory agencies. In December 2016, a formal application was filed with the Pennsylvania Public Utility Commission ("**PUC**") requesting approval of the sale and the issuance of a Certificate of Public Convenience permitting Aqua to begin serving the Township. The Pennsylvania PUC adopted an Order on June 14, 2017 and the Order was entered June 29, 2017 approving the application and sale. A 30-day appeal period ran from June 29, 2017. The Bureau of Investigation and Enforcement timely filed with the PUC a Request for Reconsideration. The PUC agreed to consider the Request for Reconsideration and at its meeting in October 2017 the PUC adopted and issued a Revised Order affirming its June Order with modifications. The Office of Consumer Advocate then filed a timely appeal with Commonwealth Court of the October Order issued by the PUC. Required filings are in the process of being prepared and submitted by all parties. The date for oral arguments before the Commonwealth Court is set for September 12, 2018. A decision by the Commonwealth Court is expected November/December 2018. If the decision is favorable to the Township and Aqua, closing on the sale should be completed in February 2019. In the meanwhile, the Sewer Authority is conducting business as usual.

(11) TRANSFER OF OPERATIONS

Under an Intergovernmental Cooperation Agreement between New Garden Township and West Grove Borough, the municipalities agreed to combine police protection services to form the SCCRPD. On January 1, 2017, New Garden Township transferred the assets and liabilities comprising their police service operations to the SCCRPD. As a result of the transfer, the Township recognized a loss of \$381,271 on the disposal of its police protection services as a special item consisting of the following assets and liabilities transferred to the SCCRPD:

	<u>Carrying Values</u>
Transferred assets (net)	
Buildings and improvements	\$196,927
Vehicles	151,435
Office equipment	<u>46,846</u>
Total capital assets	<u>395,208</u>
Deferred outflows of resources	
Deferred outflows – pensions	<u>529,392</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Transferred liabilities	
Compensated absences	23,954
OPEB obligation	138,792
Net pension liability	<u>249,841</u>
Total liabilities	<u>412,587</u>
Deferred inflows of resources	
Deferred inflows – pensions	<u>130,742</u>
Net position of transferred police service operations	
Investment in capital assets	395,208
Unrestricted	<u>(13,937)</u>
Total net position	<u>\$381,271</u>

In addition, on January 1, 2017 the Township transferred the assets associated with their police and non-uniform pension trust funds consisting solely of investments which totaled \$2,280,850 and was recorded as a special item in the fiduciary fund statement of changes in net position.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 20, 2018, the date on which the financial statements were available to be issued. Except as disclosed below and in Note 1 and Note 10, no material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the financial statements.

In July 2018, bids were opened for the construction of the new police headquarters. The bids from the lowest responsible bidders totaled approximately \$4.3 million. The new police headquarters is expected to be funded by the sale of the sewerage system.

In July 2018, the Township entered into an agreement of sale with St. Anthony's Church Wilmington, Delaware to purchase 137.9 acres of land for \$1.5 million.

REQUIRED SUPPLEMENTARY INFORMATION

NEW GARDEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUES			
Taxes			
Real estate taxes	\$ 1,273,400	\$ 1,280,952	\$ 7,552
Real estate transfer taxes	305,000	379,847	74,847
Earned income taxes	2,300,000	2,467,574	167,574
Local services taxes	93,000	87,841	(5,159)
Amusement taxes	13,000	9,516	(3,484)
Total taxes	3,984,400	4,225,730	241,330
Licenses and permits	229,000	239,508	10,508
Fines and forfeits	88,300	84,751	(3,549)
Interest, rents and royalties	110,300	136,863	26,563
Intergovernmental revenues	324,800	302,424	(22,376)
Charges for services	387,700	483,524	95,824
Contributions and donations	-	13,025	13,025
Total revenues	5,124,500	5,485,825	361,325
EXPENDITURES			
Current			
General government			
Legislative	34,300	33,873	427
Executive	148,500	149,371	(871)
Auditing services/financial administration	170,613	168,658	1,955
Tax collection	9,400	7,572	1,828
Solicitor/legal services	105,000	171,144	(66,144)
Secretary/clerk	83,419	81,634	1,785
Other general government administration	170,800	142,828	27,972
Engineering services	255,000	480,352	(225,352)
General government buildings and plants	82,000	53,413	28,587
Total general government	1,059,032	1,288,845	(229,813)
Public safety			
Police	2,167,839	2,149,617	18,222
Fire	323,200	310,651	12,549
Ambulance/rescue	191,500	191,314	186
UCC and code enforcement	213,413	196,662	16,751
Planning and zoning	92,000	83,421	8,579
Emergency management and communication	500	-	500
Total public safety	2,988,452	2,931,665	56,787
Public works - sanitation			
Recycling collection and disposal	6,500	89	6,411
Solid waste collection and disposal	5,000	4,461	539
Total public works - sanitation	11,500	4,550	6,950

Continued on next page

NEW GARDEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2017

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Public works - highways and streets			
General services - administration	529,843	507,442	22,401
Cleaning of streets and gutters	8,000	3,240	4,760
Winter maintenance - snow removal	50,000	37,025	12,975
Traffic control devices	24,500	21,151	3,349
Street lighting	22,000	21,759	241
Storm sewers and drains	16,000	8,087	7,913
Maintenance and repairs of roads and bridges	<u>38,000</u>	<u>35,808</u>	<u>2,192</u>
Total public works - highways and streets	<u>688,343</u>	<u>634,512</u>	<u>53,831</u>
Public works - other services			
Airport	16,500	13,604	2,896
Storm water and flood control	<u>44,700</u>	<u>44,646</u>	<u>54</u>
Total public works - other services	<u>61,200</u>	<u>58,250</u>	<u>2,950</u>
Culture and recreation			
Culture and recreation - administration	26,600	22,481	4,119
Parks	207,003	172,948	34,055
Libraries	15,900	15,900	-
Senior citizens' centers	3,000	3,000	-
All other culture and recreation	<u>2,000</u>	<u>110</u>	<u>1,890</u>
Total culture and recreation	<u>254,503</u>	<u>214,439</u>	<u>40,064</u>
Community development			
Conservation of natural resources	<u>5,000</u>	<u>5,114</u>	<u>(114)</u>
Total community development	<u>5,000</u>	<u>5,114</u>	<u>(114)</u>
Total expenditures	<u>5,068,030</u>	<u>5,137,375</u>	<u>(69,345)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>56,470</u>	<u>348,450</u>	<u>291,980</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	2,000	22,900	20,900
Refund of prior year expenditures	26,700	75,887	49,187
Refund of prior year receipts	(10,000)	(2,470)	7,530
Transfers in	-	298,571	298,571
Transfers out	<u>(420,800)</u>	<u>(492,000)</u>	<u>(71,200)</u>
Total other financing sources (uses)	<u>(402,100)</u>	<u>(97,112)</u>	<u>304,988</u>
NET CHANGE IN FUND BALANCE	<u>\$ (345,630)</u>	<u>251,338</u>	<u>\$ 596,968</u>
FUND BALANCE			
Beginning of year		<u>3,903,650</u>	
End of year		<u>\$ 4,154,988</u>	

NEW GARDEN TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Year ended December 31

	2016		2015	
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
TOTAL PENSION LIABILITY				
Service cost	\$ 22,694	\$ 85,480	\$ 168,226	\$ 84,795
Interest on total pension liability	32,800	149,987	196,272	144,888
Differences between expected and actual experience	(24,574)	113,532	(680)	-
Changes of assumptions	18,781	81,098	(175,674)	(31,538)
Transfers	(2,914,898)	-	(107,807)	54,333
Benefit payments, including refunds of member contributions	(12,971)	(117,837)	(78,153)	(149,056)
Net change in total pension liability	(2,878,168)	312,260	2,184	103,422
Total pension liability, beginning	3,494,964	2,699,686	3,492,780	2,596,264
Total pension liability, ending	\$ 616,796	\$ 3,011,946	\$ 3,494,964	\$ 2,699,686
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 26,270	\$ 116,296	\$ 160,770	\$ 113,535
Member contributions	8,171	37,695	48,259	36,307
PMRS investment income	31,568	137,335	177,230	127,773
Market value investment income	13,176	67,269	(189,141)	(132,632)
Transfers	(2,665,057)	-	(107,807)	54,333
Benefit payments	(12,971)	(117,837)	(78,153)	(149,056)
PMRS administrative expense	(50)	(360)	(340)	(400)
Additional administrative expense	(1,547)	(6,728)	(7,388)	(5,327)
Net change in plan fiduciary net position	(2,600,440)	233,670	3,430	44,533
Fiduciary net position, beginning	3,195,404	2,332,406	3,191,974	2,287,873
Fiduciary net position, ending	\$ 594,964	\$ 2,566,076	\$ 3,195,404	\$ 2,332,406
Net pension liability, ending	\$ 21,832	\$ 445,870	\$ 299,560	\$ 367,280
Fiduciary net position as a % of total pension liability	96.46%	85.20%	91.43%	86.40%
Covered payroll	163,427	753,893	965,185	726,136
Net pension liability as a % of covered payroll	13.36%	59.14%	31.04%	50.58%

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

2014

<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>
\$ 152,449	\$ 108,897
178,578	139,446
106,927	(15,339)
-	-
-	-
<u>(78,153)</u>	<u>(124,773)</u>
359,801	108,231
<u>3,132,979</u>	<u>2,488,033</u>
<u>\$ 3,492,780</u>	<u>\$ 2,596,264</u>

\$ 143,425	\$ 108,552
43,910	35,648
163,319	113,091
(7,612)	89,696
-	-
(78,153)	(124,773)
(300)	(380)
<u>(6,263)</u>	<u>(4,337)</u>
258,326	217,497
<u>2,933,648</u>	<u>2,070,376</u>
<u>\$ 3,191,974</u>	<u>\$ 2,287,873</u>
<u>\$ 300,806</u>	<u>\$ 308,391</u>

91.39% 88.12%

871,359 900,589

34.52% 34.24%

NEW GARDEN TOWNSHIP

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Year ended December 31, 2017

Police Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 143,425	\$ 143,425	\$ -	\$ 871,359	16.46%
2015	160,730	160,770	(40)	965,186	16.66%
2016	158,216	158,276	(60)	984,667	16.07%
2017	180,564	180,564	-	164,143	110.00%

Nonuniform Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 108,552	\$ 108,552	\$ -	\$ 900,589	12.05%
2015	113,515	113,535	(20)	726,136	15.64%
2016	116,256	116,296	(40)	753,893	15.43%
2017	116,841	116,841	-	751,884	15.54%

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

NEW GARDEN TOWNSHIP

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended December 31, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Percentage Funded (a/b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b – a)/c)</u>
01/01/2015	\$ -	\$155,782	0.00%	\$155,782	\$879,847	17.71%
01/01/2012	\$ -	\$97,968	0.00%	\$97,968	\$730,984	13.40%
01/01/2009	\$ -	\$97,885	0.00%	\$97,885	\$634,842	15.42%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

NEW GARDEN TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

December 31, 2017

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Hydrant Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Recreation Fund</u>	
ASSETS				
Cash	\$ 279,112	\$ 165,010	\$ 7,069	\$ 451,191
Taxes receivable	26,928	-	-	26,928
Accounts receivable	1,742	-	-	1,742
Total assets	<u>\$ 307,782</u>	<u>\$ 165,010</u>	<u>\$ 7,069</u>	<u>\$ 479,861</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,514	\$ 83,411	\$ -	\$ 90,925
Due to other funds	-	-	250	250
Total liabilities	<u>7,514</u>	<u>83,411</u>	<u>250</u>	<u>91,175</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	25,846	-	-	25,846
FUND BALANCES				
Restricted for				
Public works - roads	-	81,599	-	81,599
Committed to				
Fire hydrant service	274,422	-	-	274,422
Culture and recreation	-	-	6,819	6,819
Total fund balances	<u>274,422</u>	<u>81,599</u>	<u>6,819</u>	<u>362,840</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 307,782</u>	<u>\$ 165,010</u>	<u>\$ 7,069</u>	<u>\$ 479,861</u>

NEW GARDEN TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUND TYPES**

Year ended December 31, 2017

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Hydrant Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Recreation Fund</u>	
REVENUES				
Taxes	\$ 121,090	\$ -	\$ -	\$ 121,090
Interest, rents and royalties	801	461	118	1,380
Intergovernmental revenues	-	414,919	-	414,919
Charges for services	<u>2,353</u>	<u>-</u>	<u>32,000</u>	<u>34,353</u>
Total revenues	<u>124,244</u>	<u>415,380</u>	<u>32,118</u>	<u>571,742</u>
EXPENDITURES				
Current				
Public works - highways and streets	-	457,910	-	457,910
Public works - other services	101,988	-	-	101,988
Culture and recreation	<u>-</u>	<u>-</u>	<u>149,688</u>	<u>149,688</u>
Total expenditures	<u>101,988</u>	<u>457,910</u>	<u>149,688</u>	<u>709,586</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,256	(42,530)	(117,570)	(137,844)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>18,000</u>
NET CHANGE IN FUND BALANCES	22,256	(42,530)	(99,570)	(119,844)
FUND BALANCES				
Beginning of year	<u>252,166</u>	<u>124,129</u>	<u>106,389</u>	<u>482,684</u>
End of year	<u>\$ 274,422</u>	<u>\$ 81,599</u>	<u>\$ 6,819</u>	<u>\$ 362,840</u>

NEW GARDEN TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2017

	Police Pension Fund	Non- Uniform Pension Fund	Total
ASSETS			
Investments	<u>\$ 1,020,418</u>	<u>\$ 1,387,440</u>	<u>\$ 2,407,858</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 1,020,418</u>	<u>\$ 1,387,440</u>	<u>\$ 2,407,858</u>

NEW GARDEN TOWNSHIP**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended December 31, 2017

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 180,564	\$ 116,841	\$ 297,405
Member contributions	1,619	40,758	42,377
Total contributions	<u>182,183</u>	<u>157,599</u>	<u>339,782</u>
Investment income			
Interest	43,807	63,316	107,123
Total additions	<u>225,990</u>	<u>220,915</u>	<u>446,905</u>
DEDUCTIONS			
Benefits paid	34,974	-	34,974
Administrative expenses	320	420	740
Other expenses	3,560	677	4,237
Total deductions	<u>38,854</u>	<u>1,097</u>	<u>39,951</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	187,136	219,818	406,954
SPECIAL ITEM			
Transfer of operations	<u>(2,241,902)</u>	<u>(38,948)</u>	<u>(2,280,850)</u>
CHANGE IN NET POSITION	(2,054,766)	180,870	(1,873,896)
NET POSITION			
Beginning of year	<u>3,075,184</u>	<u>1,206,570</u>	<u>4,281,754</u>
End of year	<u>\$ 1,020,418</u>	<u>\$ 1,387,440</u>	<u>\$ 2,407,858</u>

SINGLE AUDIT

NEW GARDEN TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2017</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Transportation											
Passed-Through the Pennsylvania Department of Transportation											
Airport Improvement Program	I	20.106	ABG-2015-00006	07/01/15 - 06/30/18	\$ 6,706,329	\$ 4,008,329	\$ 2,204,405	\$ 1,803,924	\$ 1,803,924	\$ -	\$ -
Airport Improvement Program	I	20.106	ABG-2017-00001	10/06/17 - 04/30/20	156,671	-	-	40,669	40,669	40,669	-
Total Federal Awards						<u>\$ 4,008,329</u>	<u>\$ 2,204,405</u>	<u>\$ 1,844,593</u>	<u>\$ 1,844,593</u>	<u>\$ 40,669</u>	<u>\$ -</u>

-58-

Source Codes

D - Direct Funding

I - Indirect Funding

NEW GARDEN TOWNSHIP

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2017

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

(2) BASIS OF ACCOUNTING

The Township uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) INDIRECT COSTS

The Township has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the Township's Federal awards for the year ended December 31, 2017.

NEW GARDEN TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2017

There were no audit findings for the year ended December 31, 2016.



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

**Board of Supervisors
New Garden Township
Landenberg, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Garden Township, Landenberg, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 20, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
July 20, 2018**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of Supervisors
New Garden Township
Landenberg, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited New Garden Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Garden Township's major federal programs for the year ended December 31, 2017. New Garden Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Garden Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Garden Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Garden Township's compliance.

Opinion on Each Major Federal Program

In our opinion, New Garden Township, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of New Garden Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Garden Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Garden Township's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
July 20, 2018**

NEW GARDEN TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the New Garden Township were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the New Garden Township are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the New Garden Township, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the New Garden Township expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Airport Improvement Program – CFDA Number 20.106
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. New Garden Township was determined not to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None