



# New Garden Township Landenberg, Pennsylvania Chester County

Financial Statements  
Year Ended December 31, 2019



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# NEW GARDEN TOWNSHIP

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## 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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund and the schedules of changes in net pension liability and Township pension contributions on pages 3 through 14 and 48 through 51 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 combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, 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  
September 21, 2020**

# NEW GARDEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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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, 2019. 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 2019 fiscal year of \$57,373,744. During the 2019 fiscal year, the Township had an increase in total net position of \$913,774. The net position of the governmental activities increased by \$1,312,383 and net position of business-type activities decreased by \$398,609.
- \* As of the close of the 2019 fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,624,249, a decrease of \$1,346,635 in comparison with the prior year. The current year decrease is primarily due to funding costs associated with construction of the new police building and phase two of the park expansion.
- \* The General Fund reported a decrease in fund balance of \$268,192, bringing the cumulative balance to \$3,646,030 or 59.65% of total General Fund expenditures and other financing uses at the conclusion of the 2019 fiscal year.
- \* General Fund revenues and other financing sources were \$273,971 or 4.92% more than budgeted amounts and General Fund expenditures and other financing uses were \$734,537 or 10.73% less than budgeted amounts resulting in a net positive variance of \$1,008,508.

### 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.

# NEW GARDEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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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.

### **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.

# **NEW GARDEN TOWNSHIP**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED***

**December 31, 2019**

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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 19 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 47 of this report.

### **Other Information**

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

The required supplementary information and additional analysis can be found on pages 48 through 55 of this report.

# NEW GARDEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

### 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 2019 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$57,373,744. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2019 and 2018.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>						
Current assets	\$ 4,559,304	\$ 5,721,783	\$ 3,909,532	\$ 4,056,517	\$ 8,468,836	\$ 9,778,300
Noncurrent assets	21,079,801	16,273,119	32,920,239	33,606,464	54,000,040	49,879,583
<b>Total assets</b>	<u>25,639,105</u>	<u>21,994,902</u>	<u>36,829,771</u>	<u>37,662,981</u>	<u>62,468,876</u>	<u>59,657,883</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred charges						
- pensions	328,281	420,191	49,270	50,807	377,551	470,998
<b>LIABILITIES</b>						
Current liabilities	856,796	680,667	409,381	612,778	1,266,177	1,293,445
Noncurrent liabilities	2,810,682	540,574	914,833	1,104,867	3,725,515	1,645,441
<b>Total liabilities</b>	<u>3,667,478</u>	<u>1,221,241</u>	<u>1,324,214</u>	<u>1,717,645</u>	<u>4,991,692</u>	<u>2,938,886</u>
<b>DEFERRED INFLOWS</b>						
Deferred credits						
- pensions	469,246	675,573	11,745	54,452	480,991	730,025
<b>NET POSITION</b>						
Net investment in capital						
assets	17,907,363	15,380,986	32,068,643	32,527,532	49,976,006	47,908,518
Restricted	1,107,981	1,180,321	-	-	1,107,981	1,180,321
Unrestricted	2,815,318	3,956,972	3,474,439	3,414,159	6,289,757	7,371,131
<b>Total net position</b>	<u>\$21,830,662</u>	<u>\$20,518,279</u>	<u>\$35,543,082</u>	<u>\$35,941,691</u>	<u>\$57,373,744</u>	<u>\$56,459,970</u>

The Township's total assets as of December 31, 2019 were \$62,468,876 of which \$6,630,216 or 10.61% consisted of unrestricted cash and \$54,000,040 or 86.44% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2019 were \$4,991,692 of which \$4,024,034 or 80.61% consisted of general obligation debt used to acquire and construct capital assets.

Of the Township's total net position at December 31, 2019, \$6,289,757 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors. The Township's unrestricted net position decreased by \$1,081,374 during 2019 primarily due to the investment of unrestricted resources in the construction of the new police building and phase two of the park expansion.

A portion of the Township's net position reflects its restricted net position which totaled \$1,107,981 as of December 31, 2019. 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, 2019, the Township's net investment in capital assets increased by \$2,067,488 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, 2019

The following table presents condensed information for the *Statement of Activities* of the Township for 2019 and 2018:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 816,735	\$ 782,276	\$3,672,272	\$3,245,083	\$ 4,489,007	\$ 4,027,359
Operating grants and contributions	678,089	713,926	-	-	678,089	713,926
Capital grants and contributions	642,581	100,000	-	1,201,379	642,581	1,301,379
<b>General revenues</b>						
Taxes	4,984,137	5,046,248	-	-	4,984,137	5,046,248
Franchise fees	215,112	216,813	-	-	215,112	216,813
Investment earnings	49,126	61,439	40,988	22,976	90,114	84,415
Gain on sale of capital assets	175	2,900	-	-	175	2,900
<b>Total revenues</b>	<u>7,385,955</u>	<u>6,923,602</u>	<u>3,713,260</u>	<u>4,469,438</u>	<u>11,099,215</u>	<u>11,393,040</u>
<b>EXPENSES</b>						
General government	1,233,513	1,325,071	-	-	1,233,513	1,325,071
Public safety	2,882,215	2,558,849	-	-	2,882,215	2,558,849
Public works	1,458,172	1,043,341	-	-	1,458,172	1,043,341
Culture and recreation	372,707	314,182	-	-	372,707	314,182
Community development	104,525	105,579	-	-	104,525	105,579
Interest and amortization expense related to noncurrent liabilities	22,440	13,563	-	-	22,440	13,563
Sewer operations	-	-	2,702,439	2,908,185	2,702,439	2,908,185
Airport operations	-	-	1,409,430	920,600	1,409,430	920,600
<b>Total expenses</b>	<u>6,073,572</u>	<u>5,360,585</u>	<u>4,111,869</u>	<u>3,828,785</u>	<u>10,185,441</u>	<u>9,189,370</u>
<b>CHANGE IN NET POSITION</b>	<u>\$1,312,383</u>	<u>\$1,563,017</u>	<u>\$ (398,609)</u>	<u>\$ 640,653</u>	<u>\$ 913,774</u>	<u>\$ 2,203,670</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 38.34% of the revenue generated. Overall, tax revenues decreased by \$62,111 primarily as a result of a decrease in earned income taxes of \$204,586 offset by an increase in local services taxes of \$148,543 in 2019 compared to 2018. In the business-type activities, charges for services increased by \$427,189 due to in-house airport maintenance services being commenced in 2019.

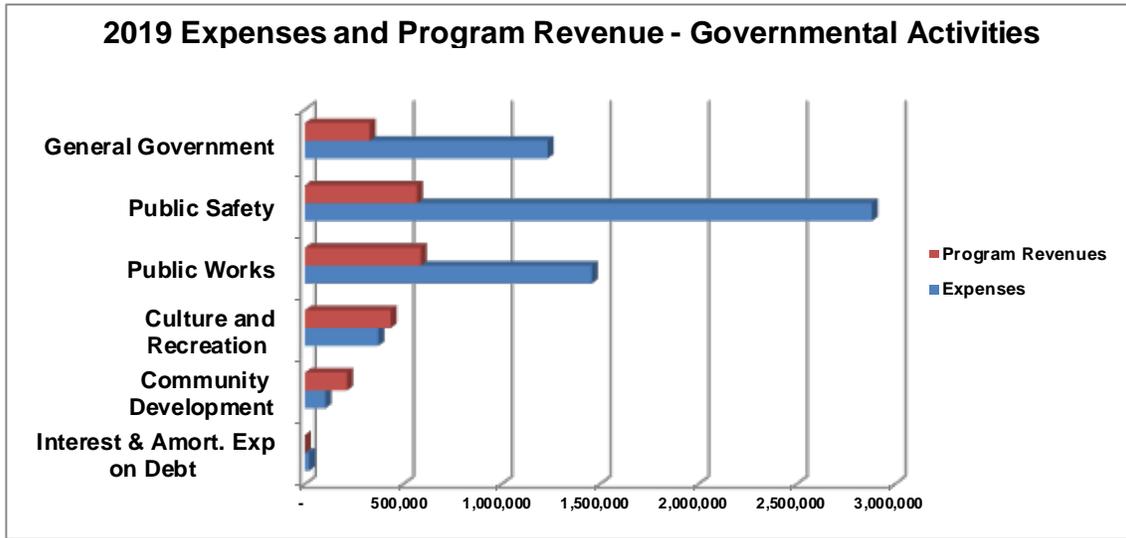
Public safety programs accounted for 47.46%, public works programs 24.01%; and general governmental programs 20.31% of the total expenses in the governmental activities. Public safety expenses increased by \$323,366 in 2019 compared to 2018 due to increases in the annual contribution to the Southern Chester County Regional Police Department and contracted services for codes. Public works expenses increased by \$414,831 in 2019 compared to 2018 as a result of more costs associated with road maintenance projects. Airport expenses increased \$488,730 in 2019 compared to 2018 due to additional depreciation on infrastructure put in service coupled with increases in repairs and maintenance and supplies related to in-house aircraft maintenance services commenced in 2019. Sewer expenses decreased by \$205,746 in 2019 compared to 2018 as a result of less costs for professional services and wastewater treatment expenses.

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.

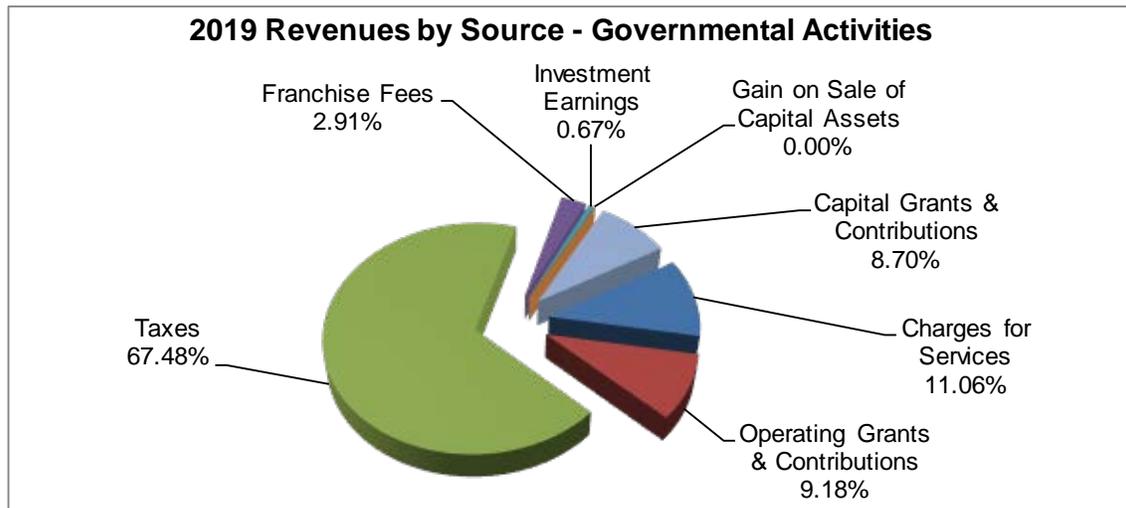
# NEW GARDEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019



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, 2019, the Township's governmental funds reported a combined fund balance of \$3,624,249 which is a decrease of \$1,346,635 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2019 and 2018 and the total 2019 change in governmental fund balances.

# NEW GARDEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

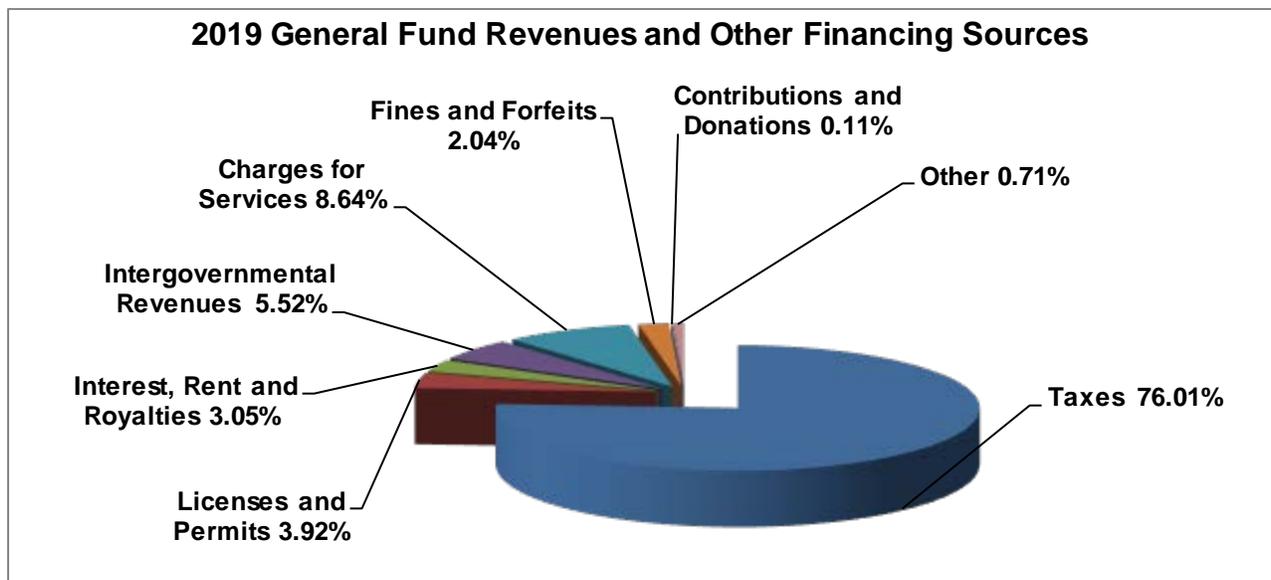
December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>
General Fund	\$3,646,030	\$3,914,222	\$ (268,192)
Open Space Fund	596,284	558,138	38,146
Capital Fund	(727,290)	(123,659)	(603,631)
Debt Service Fund	125,169	131,473	(6,304)
Nonmajor Governmental Funds	<u>(15,944)</u>	<u>490,710</u>	<u>(506,654)</u>
	<u>\$3,624,249</u>	<u>\$4,970,884</u>	<u>\$(1,346,635)</u>

### GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2019 fiscal year the General Fund fund balance was \$3,646,030 representing a decrease of \$268,192 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 2019 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 76.01% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$4,442,489	\$4,539,648	\$(97,159)	(2.14)
Licenses and permits	228,841	224,716	4,125	1.84
Interest, rents and royalties	178,438	163,500	14,938	9.14
Intergovernmental revenues	322,531	272,760	49,771	18.25
Charges for services	504,856	485,904	18,952	3.90
Fines and forfeits	118,974	106,613	12,361	11.59
Contributions and donations	6,281	8,550	(2,269)	(26.54)
Other	<u>41,811</u>	<u>19,175</u>	<u>22,636</u>	<u>118.05</u>
	<u>\$5,844,221</u>	<u>\$5,820,866</u>	<u>\$ 23,355</u>	<u>0.40</u>

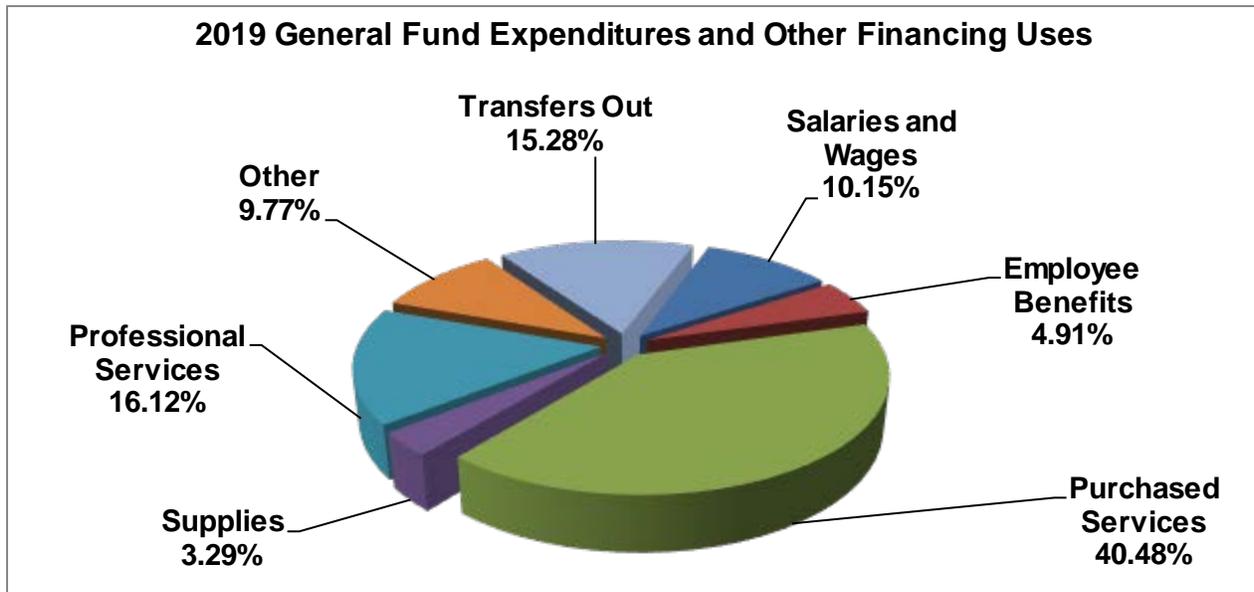
**NEW GARDEN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2019**

Taxes decreased by \$97,159 or 2.14% primarily due to a decrease in earned income tax collections in 2019 compared to 2018.

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 ("**SCCRPD**") to provide police services.



**General Fund Expenditures and Other Financing Uses**

	<b>2019</b>	<b>2018</b>	<b>\$ Change</b>	<b>% Change</b>
Salaries and wages	\$ 620,159	\$ 704,637	\$ (84,478)	(11.99)
Employee benefits	300,260	366,039	(65,779)	(17.97)
Supplies	201,104	198,374	2,730	1.38
Purchased services	2,474,462	2,310,959	163,503	7.08
Professional services	985,157	1,322,656	(337,499)	(25.52)
Other	597,271	617,567	(20,296)	(3.29)
Transfers out	<u>934,000</u>	<u>541,400</u>	<u>392,600</u>	<u>72.52</u>
	<u>\$6,112,413</u>	<u>\$6,061,632</u>	<u>\$ 50,781</u>	<u>0.84</u>

Salaries and employee benefits decreased as a result of a retirement in the codes department.

Purchased services increased by \$163,503 or 7.08% due to increased costs associated with the Southern Chester County Regional Police Department and contracted services for codes.

Professional services decreased by \$337,499 or 25.52% as a result of costs associated with the purchase of St. Anthony's Church property in 2018 and decreased legal costs.

Transfers out represent appropriations to the Capital Projects and Debt Service Funds to subsidize capital expenditures and debt service requirements.

# **NEW GARDEN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2019**

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### **OPEN SPACE FUND**

The Open Space Fund provides funding for preservation of open space within the Township. As of December 31, 2019, the Open Space Fund reported a fund balance of \$596,284, which is an increase of \$38,146 from the prior year.

### **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 2019, the Capital Fund fund balance decreased by \$603,631 for a cumulative deficit balance of \$727,290 as of December 31, 2019 which is unassigned except for \$10,875 of nonspendable prepaid items. The deficit will be funded with proceeds from the sale of the sewerage system.

### **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, 2019, the Debt Service Fund reported a fund balance of \$125,169 which is a decrease of \$6,304 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 2019, the Nonmajor Governmental Funds fund balance decreased by \$506,654 for a cumulative deficit balance of \$15,944 as of December 31, 2019. Of the cumulative fund balance at December 31, 2019, \$74,191 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 \$312,337 and a deficit of \$402,472, respectively, of the cumulative fund balance as of December 31, 2019. The deficit in the Recreation Fund will be funded with intergovernmental revenues and transfers from the General Fund.

### **GENERAL FUND BUDGET INFORMATION**

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

General Fund revenues and other financing sources were \$273,971 or 4.92% more than budgeted amounts and General Fund expenditures and other financing uses were \$734,537 or 10.73% less than budgeted amounts resulting in a net positive variance of \$1,008,508. Revenues and other financing sources were more than budgeted amounts primarily due to collection of current real estate, transfer and earned income taxes being more than budget and more than anticipated revenues for engineering fees. Expenditures and other financing uses were less than budget primarily due to less than anticipated transfers out to other funds.

# NEW GARDEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 48 and 49. 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.

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.

The net position of the Township's business-type activities and proprietary funds decreased by \$398,609 during 2019. The net position of the business-type activities and proprietary funds totaled \$35,543,082 as of December 31, 2019.

### CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounted to \$54,000,040 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 2019 was \$4,120,457 or 8.26%. The increase was the result of current year capital additions in excess of current year depreciation expense.

Current year capital additions were \$5,261,191 and depreciation expense was \$1,140,734.

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

Governmental Activities	
Police station – construction in progress	\$3,715,723
Township park – construction in progress	\$1,175,540

### NONCURRENT LIABILITIES

As of December 31, 2019, the Township had total general obligation debt of \$4,024,034 consisting of \$3,172,438 in notes payable, \$342,000 in sewer revenue notes, and a \$509,596 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 increase in the Township's general obligation debt for the current fiscal year was \$2,536,969 or 170.60%.

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

## NEW GARDEN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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On December 27, 2018, the Township entered into a note payable agreement for \$4,500,000 with a financial institution to fund project costs associated with the construction of a new police station. \$50,000 of the total note proceeds were drawn at the time of closing, an additional \$2,950,000 was drawn during 2019, and \$1,500,000 is available for future requisition draws as of December 31, 2019. The note payable bears interest initially and for a period of 5 years at the rate of 3.72% per annum, after which the note shall bear interest at a floating rate of Wall Street Journal Prime Rate + 0%, and matures November 27, 2028.

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 (asset) is an actuarially determined estimate of the unfunded cost of the pension plan obligation which was an asset of \$396,287 as of December 31, 2019.

Other noncurrent liabilities consist of the Township's liability for compensated absences and capital leases, which totaled \$97,768 as of December 31, 2019.

### 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.

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 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, 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 during the next several years 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 purchase the sewerage system and to begin serving customers in 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 2017 Order issued by the PUC. The Commonwealth of Pennsylvania Court then heard oral arguments on September 14, 2018 and issued its decision on October 11, 2018. The decision sends the matter back to the PUC for further review and action. Aqua then filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court which was denied. Discussions among Aqua, the Township and the Authority were ongoing with respect to identifying possible ways in which to address the issues raised by the Office of Consumer Advocate and the decision of the Commonwealth of Pennsylvania Court. These discussions resulted in a Joint Petition for Approval of Settlement of Remand Proceeding (the "**Petition**") which has been filed with the PUC. After filing the Petition, the required public notices were sent to all New Garden Township sewer customers as-well-as all Aqua water and sewer customers. The public comment period was open through June 2020. The next step after the close of the public comment period will be determined by the Administrative Law Judge based on the content of the comments received.

# NEW GARDEN TOWNSHIP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2019**

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The Township adopted a balanced 2020 General Fund budget totaling \$6,471,390 which used \$905,690 of the General Fund fund balance as of December 31, 2019 and the real estate tax millage rate remained unchanged at 1.72 mills.

The Township is in the process of developing a master plan for the former 137-acre St. Anthony's in the Hills property on Limestone Road. The master plan will provide a blueprint for future recreation and public use improvements and conservation initiatives.

In connection with the establishment of the Southern Chester County Regional Police Department the Township financed the construction of a new police station in the amount of approximately \$4.5 million which will be leased to the Southern Chester County Regional Police Department annually for \$1 for an initial period of five years. The new police station was funded with reserves and long-term financing and is expected to be repaid by the sale of the sewerage system.

In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Chester County, Pennsylvania for what was an extended period of time. Future potential impacts included the disruption of Township services and the impairment of the ability to generate revenues. The future effects of these issues are unknown.

### **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, 2019 with summarized comparative totals for 2018

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 3,455,926	\$ 3,174,290	\$ 6,630,216	\$ 8,200,371
Restricted cash	437,978	27,533	465,511	274,907
Taxes receivable	239,866	-	239,866	250,423
Due from other governments	83,218	-	83,218	66,701
Accounts receivable	12,890	724,309	737,199	685,446
Internal balances	220,222	(220,222)	-	-
Other current assets	109,204	203,622	312,826	300,452
<b>Total current assets</b>	<b>4,559,304</b>	<b>3,909,532</b>	<b>8,468,836</b>	<b>9,778,300</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	21,079,801	32,920,239	54,000,040	49,879,583
<b>Total assets</b>	<b>25,639,105</b>	<b>36,829,771</b>	<b>62,468,876</b>	<b>59,657,883</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges - pensions	328,281	49,270	377,551	470,998
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	402,367	161,353	563,720	786,992
Accrued salaries and benefits	16,451	9,704	26,155	19,220
Escrow deposits	437,978	27,533	465,511	274,907
Other current liabilities	-	210,791	210,791	212,326
<b>Total current liabilities</b>	<b>856,796</b>	<b>409,381</b>	<b>1,266,177</b>	<b>1,293,445</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	220,463	235,346	455,809	945,007
Due in more than one year	2,590,219	679,487	3,269,706	700,434
<b>Total noncurrent liabilities</b>	<b>2,810,682</b>	<b>914,833</b>	<b>3,725,515</b>	<b>1,645,441</b>
<b>Total liabilities</b>	<b>3,667,478</b>	<b>1,324,214</b>	<b>4,991,692</b>	<b>2,938,886</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits - pensions	469,246	11,745	480,991	730,025
<b>NET POSITION</b>				
Net investment in capital assets	17,907,363	32,068,643	49,976,006	47,908,518
Restricted	1,107,981	-	1,107,981	1,180,321
Unrestricted	2,815,318	3,474,439	6,289,757	7,371,131
<b>Total net position</b>	<b>\$ 21,830,662</b>	<b>\$ 35,543,082</b>	<b>\$ 57,373,744</b>	<b>\$ 56,459,970</b>

See accompanying notes

# NEW GARDEN TOWNSHIP

## STATEMENT OF ACTIVITIES

Year ended December 31, 2019 with summarized comparative totals for 2018

	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			2019	2018
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 1,233,513	\$ 300,035	\$ 28,852	\$ -	\$ (904,626)	\$ -	\$ (904,626)	\$ (906,359)
Public safety	2,882,215	416,212	89,112	64,193	(2,312,698)	-	(2,312,698)	(2,101,938)
Public works	1,458,172	43,688	525,552	19,598	(869,334)	-	(869,334)	(465,550)
Culture and recreation	372,707	56,800	20,263	358,790	63,146	-	63,146	(174,594)
Community development	104,525	-	14,310	200,000	109,785	-	109,785	(102,379)
Interest expense related to noncurrent liabilities	22,440	-	-	-	(22,440)	-	(22,440)	(13,563)
<b>Total governmental activities</b>	<u>6,073,572</u>	<u>816,735</u>	<u>678,089</u>	<u>642,581</u>	<u>(3,936,167)</u>	<u>-</u>	<u>(3,936,167)</u>	<u>(3,764,383)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	2,702,439	2,542,401	-	-	-	(160,038)	(160,038)	(82,572)
Airport	1,409,430	1,129,871	-	-	-	(279,559)	(279,559)	700,249
<b>Total business-type activities</b>	<u>4,111,869</u>	<u>3,672,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(439,597)</u>	<u>(439,597)</u>	<u>617,677</u>
<b>Total primary government</b>	<u>\$ 10,185,441</u>	<u>\$ 4,489,007</u>	<u>\$ 678,089</u>	<u>\$ 642,581</u>	<u>(3,936,167)</u>	<u>(439,597)</u>	<u>(4,375,764)</u>	<u>(3,146,706)</u>
<b>GENERAL REVENUES</b>								
Taxes								
Real estate taxes					1,391,069	-	1,391,069	1,374,847
Earned income taxes					2,831,779	-	2,831,779	3,036,365
Real estate transfer taxes					392,879	-	392,879	410,293
Local services taxes					230,330	-	230,330	81,787
Hydrant taxes					127,336	-	127,336	126,516
Amusement taxes					10,744	-	10,744	16,440
Franchise fees					215,112	-	215,112	216,813
Investment earnings					49,126	40,988	90,114	84,415
Gain on sale of capital assets					175	-	175	2,900
<b>Total general revenues</b>					<u>5,248,550</u>	<u>40,988</u>	<u>5,289,538</u>	<u>5,350,376</u>
<b>CHANGE IN NET POSITION</b>					1,312,383	(398,609)	913,774	2,203,670
<b>NET POSITION</b>								
Beginning of year					<u>20,518,279</u>	<u>35,941,691</u>	<u>56,459,970</u>	<u>54,256,300</u>
<b>End of year</b>					<u>\$ 21,830,662</u>	<u>\$ 35,543,082</u>	<u>\$ 57,373,744</u>	<u>\$ 56,459,970</u>

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See accompanying notes

# NEW GARDEN TOWNSHIP

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019 with summarized comparative totals for 2018

	Major Funds					Totals	
	General Fund	Open Space Fund	Capital Fund	Debt Service Fund	Nonmajor Governmental Funds	2019	2018
<b>ASSETS</b>							
Cash	\$ 1,195,222	\$ 592,104	\$ 806,565	\$ 123,906	\$ 738,129	\$ 3,455,926	\$ 4,917,856
Restricted cash	437,978	-	-	-	-	437,978	174,907
Taxes receivable	195,318	13,727	-	-	30,821	239,866	250,423
Due from other governments	61,773	-	21,445	-	-	83,218	66,701
Accounts receivable	11,148	-	-	-	1,742	12,890	5,675
Due from other funds	2,328,807	-	-	1,263	-	2,330,070	501,081
Prepaid items	18,525	-	10,875	-	-	29,400	30,296
Inventories	79,804	-	-	-	-	79,804	68,266
<b>Total assets</b>	<b>\$ 4,328,575</b>	<b>\$ 605,831</b>	<b>\$ 838,885</b>	<b>\$ 125,169</b>	<b>\$ 770,692</b>	<b>\$ 6,669,152</b>	<b>\$ 6,015,205</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 179,296	\$ 9,547	\$ 121,971	\$ -	\$ 91,553	\$ 402,367	\$ 491,685
Accrued salaries and benefits	16,451	-	-	-	-	16,451	14,075
Due to other funds	-	-	1,444,204	-	665,644	2,109,848	293,422
Escrow deposits	437,978	-	-	-	-	437,978	174,907
<b>Total liabilities</b>	<b>633,725</b>	<b>9,547</b>	<b>1,566,175</b>	<b>-</b>	<b>757,197</b>	<b>2,966,644</b>	<b>974,089</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues - property taxes	48,820	-	-	-	29,439	78,259	70,232
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable							
Prepaid items	18,525	-	10,875	-	-	29,400	30,296
Inventories	79,804	-	-	-	-	79,804	68,266
Restricted for							
Debt service	-	-	-	125,169	-	125,169	131,473
Public works - roads	-	-	-	-	74,191	74,191	70,021
Committed to							
Fire hydrant service	-	-	-	-	312,337	312,337	294,580
Capital purchases	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	126,109
Open space	-	596,284	-	-	-	596,284	558,138
Unassigned (deficit)	3,547,701	-	(738,165)	-	(402,472)	2,407,064	3,692,001
<b>Total fund balances (deficit)</b>	<b>3,646,030</b>	<b>596,284</b>	<b>(727,290)</b>	<b>125,169</b>	<b>(15,944)</b>	<b>3,624,249</b>	<b>4,970,884</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,328,575</b>	<b>\$ 605,831</b>	<b>\$ 838,885</b>	<b>\$ 125,169</b>	<b>\$ 770,692</b>	<b>\$ 6,669,152</b>	<b>\$ 6,015,205</b>

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, 2019

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 3,624,249
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	21,079,801
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.	78,259
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.	(140,965)
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>(2,810,682)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 21,830,662</u>

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See accompanying notes

# NEW GARDEN TOWNSHIP

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

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds					Totals	
	General Fund	Open Space Fund	Capital Fund	Debt Service Fund	Nonmajor Governmental Funds	2019	2018
<b>REVENUES</b>							
Taxes	\$ 4,442,489	\$ 409,878	\$ -	\$ -	\$ 123,743	\$ 4,976,110	\$ 5,085,734
Licenses and permits	228,841	-	-	-	-	228,841	224,716
Fines and forfeits	118,974	-	-	-	-	118,974	106,613
Interest, rent and royalties	178,438	7,817	2,625	336	5,186	194,402	202,096
Intergovernmental revenues	322,531	200,000	-	-	727,664	1,250,195	805,376
Charges for services	504,856	-	14,400	-	19,500	538,756	527,104
Contributions and donations	6,281	-	64,193	-	-	70,474	8,550
<b>Total revenues</b>	<u>5,802,410</u>	<u>617,695</u>	<u>81,218</u>	<u>336</u>	<u>876,093</u>	<u>7,377,752</u>	<u>6,960,189</u>
<b>EXPENDITURES</b>							
Current							
General government	1,338,498	-	10,873	96	-	1,349,467	1,356,044
Public safety	2,863,752	-	3,809,060	-	-	6,672,812	3,597,908
Public works - sanitation	7,848	-	-	-	-	7,848	8,017
Public works - highways and streets	602,701	-	183,217	-	441,357	1,227,275	1,249,106
Public works - other services	36,100	-	-	-	110,613	146,713	160,658
Culture and recreation	319,613	-	51,950	-	1,115,777	1,487,340	282,602
Community development	8,975	97,409	-	-	-	106,384	1,625,201
Debt service	-	484,000	64,193	202,544	-	750,737	728,392
<b>Total expenditures</b>	<u>5,177,487</u>	<u>581,409</u>	<u>4,119,293</u>	<u>202,640</u>	<u>1,667,747</u>	<u>11,748,576</u>	<u>9,007,928</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>624,923</u>	<u>36,286</u>	<u>(4,038,075)</u>	<u>(202,304)</u>	<u>(791,654)</u>	<u>(4,370,824)</u>	<u>(2,047,739)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of capital assets	175	-	-	-	-	175	2,900
Issuance of debt	-	-	2,950,000	-	-	2,950,000	50,000
Proceeds from extended term financing	-	-	31,444	-	-	31,444	110,855
Refund of prior year expenditures	41,636	1,860	-	-	-	43,496	16,275
Refund of prior year receipts	(926)	-	-	-	-	(926)	(41,263)
Transfers in	-	-	453,000	196,000	285,000	934,000	541,400
Transfers out	(934,000)	-	-	-	-	(934,000)	(541,400)
<b>Total other financing sources (uses)</b>	<u>(893,115)</u>	<u>1,860</u>	<u>3,434,444</u>	<u>196,000</u>	<u>285,000</u>	<u>3,024,189</u>	<u>138,767</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(268,192)</u>	<u>38,146</u>	<u>(603,631)</u>	<u>(6,304)</u>	<u>(506,654)</u>	<u>(1,346,635)</u>	<u>(1,908,972)</u>
<b>FUND BALANCES (DEFICIT)</b>							
Beginning of year	<u>3,914,222</u>	<u>558,138</u>	<u>(123,659)</u>	<u>131,473</u>	<u>490,710</u>	<u>4,970,884</u>	<u>6,879,856</u>
<b>End of year</b>	<u>\$ 3,646,030</u>	<u>\$ 596,284</u>	<u>\$ (727,290)</u>	<u>\$ 125,169</u>	<u>\$ (15,944)</u>	<u>\$ 3,624,249</u>	<u>\$ 4,970,884</u>

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, 2019

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (1,346,635)

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 in the current period.

Capital outlay expenditures	\$ 5,181,575	
Depreciation expense	<u>(374,893)</u>	4,806,682

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, 2018	(70,232)	
Deferred inflows of resources December 31, 2019	<u>78,259</u>	8,027

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	669,695	
Repayment of capital lease	58,603	
Proceeds from issuance of debt	(2,950,000)	
Proceeds from capital lease	<u>(31,444)</u>	(2,253,146)

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	2,093	
Change in net pension liability and related deferred inflows and outflows	<u>95,362</u>	<u>97,455</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 1,312,383**

# NEW GARDEN TOWNSHIP

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 2,878,542	\$ 85,969	\$ 209,779	\$ 3,174,290	\$ 3,282,515
Restricted cash	-	27,533	-	27,533	100,000
Accounts receivable	701,838	22,471	-	724,309	679,771
Due from other funds	53,562	-	-	53,562	65,058
Other current assets	203,622	-	-	203,622	201,890
<b>Total current assets</b>	<b>3,837,564</b>	<b>135,973</b>	<b>209,779</b>	<b>4,183,316</b>	<b>4,329,234</b>
<b>NONCURRENT ASSETS</b>					
Capital assets, net	3,266,902	16,047,627	13,605,710	32,920,239	33,606,464
<b>Total assets</b>	<b>7,104,466</b>	<b>16,183,600</b>	<b>13,815,489</b>	<b>37,103,555</b>	<b>37,935,698</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges - pensions	19,216	30,054	-	49,270	50,807
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Current portion of notes payable	-	68,346	167,000	235,346	221,683
Accounts payable	104,120	57,233	-	161,353	295,307
Accrued salaries and benefits	1,913	7,791	-	9,704	5,145
Due to other funds	-	273,784	-	273,784	272,717
Escrow deposits	-	27,533	-	27,533	100,000
Other current liabilities	-	7,169	203,622	210,791	212,326
<b>Total current liabilities</b>	<b>106,033</b>	<b>441,856</b>	<b>370,622</b>	<b>918,511</b>	<b>1,107,178</b>
<b>NONCURRENT LIABILITIES</b>					
Notes payable, net of current portion	-	441,250	175,000	616,250	857,249
Net pension liability	20,235	31,645	-	51,880	18,166
Compensated absences	2,309	9,048	-	11,357	7,769
<b>Total noncurrent liabilities</b>	<b>22,544</b>	<b>481,943</b>	<b>175,000</b>	<b>679,487</b>	<b>883,184</b>
<b>Total liabilities</b>	<b>128,577</b>	<b>923,799</b>	<b>545,622</b>	<b>1,597,998</b>	<b>1,990,362</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred credits - pensions	4,581	7,164	-	11,745	54,452
<b>NET POSITION</b>					
Net investment in capital assets	3,266,902	15,538,031	13,263,710	32,068,643	32,527,532
Unrestricted (deficit)	3,723,622	(255,340)	6,157	3,474,439	3,414,159
<b>Total net position</b>	<b>\$ 6,990,524</b>	<b>\$ 15,282,691</b>	<b>\$ 13,269,867</b>	<b>\$ 35,543,082</b>	<b>\$ 35,941,691</b>

See accompanying notes

**NEW GARDEN TOWNSHIP**

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

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2019	2018
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,448,600	\$ 1,085,772	\$ -	\$ 3,534,372	\$ 3,027,728
Other	93,801	44,099	-	137,900	217,355
<b>Total operating revenues</b>	<u>2,542,401</u>	<u>1,129,871</u>	<u>-</u>	<u>3,672,272</u>	<u>3,245,083</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	64,864	240,697	-	305,561	212,448
Employee benefits	36,291	53,084	-	89,375	66,602
Administrative expenses	149,713	39,236	48	188,997	177,167
Insurance	17,828	17,932	-	35,760	37,331
Professional services	1,451,839	134,576	-	1,586,415	1,663,402
Repairs and maintenance	11,863	270,715	-	282,578	99,340
Supplies	47,483	243,183	-	290,666	250,443
Utilities	103,436	31,872	-	135,308	143,141
Wastewater treatment services	410,236	-	-	410,236	560,273
Depreciation	77,714	365,267	322,860	765,841	593,470
<b>Total operating expenses</b>	<u>2,371,267</u>	<u>1,396,562</u>	<u>322,908</u>	<u>4,090,737</u>	<u>3,803,617</u>
<b>Operating income (loss)</b>	<u>171,134</u>	<u>(266,691)</u>	<u>(322,908)</u>	<u>(418,465)</u>	<u>(558,534)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	39,378	1,316	294	40,988	22,976
Interest expense	-	(13,035)	(8,268)	(21,303)	(25,523)
Intergovernmental revenues	-	-	-	-	751,379
Refund of prior year expenses	4	167	-	171	355
<b>Total nonoperating revenues (expenses)</b>	<u>39,382</u>	<u>(11,552)</u>	<u>(7,974)</u>	<u>19,856</u>	<u>749,187</u>
<b>Income (loss) before capital contributions and transfers</b>	210,516	(278,243)	(330,882)	(398,609)	190,653
Capital contributions	-	-	-	-	450,000
Transfers in	-	-	168,268	168,268	165,083
Transfers out	(168,268)	-	-	(168,268)	(165,083)
<b>CHANGE IN NET POSITION</b>	42,248	(278,243)	(162,614)	(398,609)	640,653
<b>NET POSITION</b>					
Beginning of year	<u>6,948,276</u>	<u>15,560,934</u>	<u>13,432,481</u>	<u>35,941,691</u>	<u>35,301,038</u>
<b>End of year</b>	<u>\$ 6,990,524</u>	<u>\$ 15,282,691</u>	<u>\$ 13,269,867</u>	<u>\$ 35,543,082</u>	<u>\$ 35,941,691</u>

See accompanying notes

# NEW GARDEN TOWNSHIP

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from charges for services	\$ 2,425,162	\$ 1,062,254	\$ -	\$ 3,487,416	\$ 2,961,011
Payments to suppliers for goods and services	(2,324,628)	(700,995)	(48)	(3,025,671)	(2,816,471)
Payments to employees	(103,584)	(290,661)	-	(394,245)	(295,458)
Other receipts	104,448	44,099	-	148,547	270,467
<b>Net cash provided by (used for) operating activities</b>	<b>101,398</b>	<b>114,697</b>	<b>(48)</b>	<b>216,047</b>	<b>119,549</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental revenues	-	-	-	-	794,307
Refund of prior year expenses	4	167	-	171	355
Transfers from other funds	-	-	170,000	170,000	180,000
Transfers to other funds	(170,000)	-	-	(170,000)	(180,000)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(169,996)</b>	<b>167</b>	<b>170,000</b>	<b>171</b>	<b>794,662</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(9,670)	(107,122)	-	(116,792)	(961,987)
Repayment of notes payable	-	(67,336)	(160,000)	(227,336)	(220,251)
Interest paid	-	(13,035)	(8,268)	(21,303)	(25,523)
<b>Net cash used for capital and related financing activities</b>	<b>(9,670)</b>	<b>(187,493)</b>	<b>(168,268)</b>	<b>(365,431)</b>	<b>(1,207,761)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	39,378	1,316	294	40,988	22,976
<b>Net increase (decrease) in cash</b>	<b>(38,890)</b>	<b>(71,313)</b>	<b>1,978</b>	<b>(108,225)</b>	<b>(270,574)</b>
<b>CASH</b>					
Beginning of year	2,917,432	157,282	207,801	3,282,515	3,553,089
Ending of year	\$ 2,878,542	\$ 85,969	\$ 209,779	\$ 3,174,290	\$ 3,282,515
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
<b>Operating income (loss)</b>	\$ 171,134	\$ (266,691)	\$ (322,908)	\$ (418,465)	\$ (558,534)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>					
Depreciation	77,714	365,267	322,860	765,841	593,470
(Increase) decrease in					
Accounts receivable	(24,287)	(20,251)	-	(44,538)	73,669
Due from other funds	11,496	-	-	11,496	(60,246)
Deferred outflows of resources - pensions	600	937	-	1,537	5,056
Increase (decrease) in					
Accounts payable	(132,230)	36,519	-	(95,711)	113,287
Accrued salaries and benefits	313	4,246	-	4,559	1,101
Other current liabilities	-	(3,267)	-	(3,267)	(25,689)
Compensated absences	165	3,423	-	3,588	(5)
Net pension liability	13,150	20,564	-	33,714	(68,577)
Deferred inflows of resources - pensions	(16,657)	(26,050)	-	(42,707)	46,017
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 101,398</b>	<b>\$ 114,697</b>	<b>\$ (48)</b>	<b>\$ 216,047</b>	<b>\$ 119,549</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Contributed capital assets	\$ -	\$ -	\$ -	\$ -	\$ 450,000
Acquisition and construction of capital assets	\$ -	\$ (1,067)	\$ -	\$ (1,067)	\$ 38,243
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ (38,243)
Due to other funds	\$ -	\$ 1,067	\$ -	\$ 1,067	\$ -

See accompanying notes

**NEW GARDEN TOWNSHIP**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**December 31, 2019 with summarized comparative totals for 2018**

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	<b>Pension Trust Funds</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>ASSETS</b>		
Investments	<u>\$ 2,659,516</u>	<u>\$ 2,811,434</u>
<b>NET POSITION</b>		
Assets held in trust for pension benefits	<u>\$ 2,659,516</u>	<u>\$ 2,811,434</u>

# NEW GARDEN TOWNSHIP

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2019 with summarized comparative totals for 2018

	Pension Trust Funds	
	<u>2019</u>	<u>2018</u>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 112,926	\$ 180,756
Member contributions	<u>42,933</u>	<u>42,374</u>
<b>Total contributions</b>	<u>155,859</u>	<u>223,130</u>
<b>Investment income</b>		
Interest	<u>126,986</u>	<u>181,931</u>
<b>Total additions</b>	<u>282,845</u>	<u>405,061</u>
<b>DEDUCTIONS</b>		
Benefits and refunds paid	433,976	-
Administrative expenses	460	660
Other expenses	<u>327</u>	<u>825</u>
<b>Total deductions</b>	<u>434,763</u>	<u>1,485</u>
<b>CHANGE IN NET POSITION</b>	(151,918)	403,576
<b>NET POSITION</b>		
Beginning of year	<u>2,811,434</u>	<u>2,407,858</u>
<b>End of year</b>	<u>\$ 2,659,516</u>	<u>\$ 2,811,434</u>

See accompanying notes

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### (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.

#### **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 2019 was \$2,058,550. 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.

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.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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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:

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.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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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.

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.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### ***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 2019 was 1.72 mills (\$1.72 for \$1,000 of assessed valuation), consisting of 1.089 mills for general purposes, 0.287 mills for fire protection, 0.244 mills for ambulance and rescue and 0.100 for library. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for property taxes receivable.

Other taxes levied in 2019 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	- \$52.00 per year
Hydrant tax	- .17 mills (\$.17 for \$1,000 of assessed property valuation)
Amusement tax	- 10% of gross receipts

### **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.

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# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### **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, 2019.

### **Compensated Absences**

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

### **Long-Term Obligations**

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

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### **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.

### **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, 2018, from which the summarized information was derived.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### Use of Estimates

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

### New Accounting Pronouncements

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

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

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

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

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

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

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

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

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

### (3) DEPOSITS

#### 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, 2019, the carrying amount of the Township's deposits was \$7,095,727 and the bank balance was \$7,151,536. Of the bank balance, \$342,938 was covered by federal depository insurance and \$6,598,138 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 or collateral was pledged in direct obligations of the U.S. Treasury and repurchase agreements backed by U.S. Treasury obligations. 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, 2018, PLGIT was rated AAA by a nationally recognized statistical rating agency.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### (4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 5,607,686	\$ -	\$ -	\$ 5,607,686
Construction in progress	997,510	4,891,263	-	5,888,773
<b>Total capital assets not being depreciated</b>	<u>6,605,196</u>	<u>4,891,263</u>	<u>-</u>	<u>11,496,459</u>
Capital assets being depreciated				
Buildings and improvements	4,783,758	-	-	4,783,758
Land improvements	1,025,618	2,432	-	1,028,050
Infrastructure	6,217,737	64,852	-	6,282,589
Machinery and equipment	892,525	142,982	-	1,035,507
Vehicles	896,111	80,046	-	976,157
<b>Total capital assets being depreciated</b>	<u>13,815,749</u>	<u>290,312</u>	<u>-</u>	<u>14,106,061</u>
Less accumulated depreciation for				
Buildings and improvements	(1,492,801)	(111,194)	-	(1,603,995)
Land improvements	(150,363)	(20,624)	-	(170,987)
Infrastructure	(1,421,712)	(116,847)	-	(1,538,559)
Machinery and equipment	(666,709)	(50,628)	-	(717,337)
Vehicles	(416,241)	(75,600)	-	(491,841)
<b>Total accumulated depreciation</b>	<u>(4,147,826)</u>	<u>(374,893)</u>	<u>-</u>	<u>(4,522,719)</u>
<b>Total capital assets being depreciated, net</b>	<u>9,667,923</u>	<u>(84,581)</u>	<u>-</u>	<u>9,583,342</u>
<b>Governmental activities, net</b>	<u>\$ 16,273,119</u>	<u>\$ 4,806,682</u>	<u>\$ -</u>	<u>\$ 21,079,801</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 8,684,433	\$ -	\$ -	\$ 8,684,433
Construction in progress	-	2,617	-	2,617
<b>Total capital assets not being depreciated</b>	<u>8,684,433</u>	<u>2,617</u>	<u>-</u>	<u>8,687,050</u>
Capital assets being depreciated				
Buildings and improvements	11,025,471	63,722	-	11,089,193
Infrastructure	22,270,511	9,668	-	22,280,179
Pump stations	2,425,240	-	-	2,425,240
Machinery and equipment	448,489	3,609	-	452,098
Vehicles	89,335	-	-	89,335
<b>Total capital assets being depreciated</b>	<u>36,259,046</u>	<u>76,999</u>	<u>-</u>	<u>36,336,045</u>
Less accumulated depreciation for				
Buildings and improvements	(5,165,613)	(282,401)	-	(5,448,014)
Infrastructure	(4,878,307)	(417,262)	-	(5,295,569)
Pump stations	(952,802)	(51,672)	-	(1,004,474)
Machinery and equipment	(250,958)	(14,506)	-	(265,464)
Vehicles	(89,335)	-	-	(89,335)
<b>Total accumulated depreciation</b>	<u>(11,337,015)</u>	<u>(765,841)</u>	<u>-</u>	<u>(12,102,856)</u>
<b>Total capital assets being depreciated, net</b>	<u>24,922,031</u>	<u>(688,842)</u>	<u>-</u>	<u>24,233,189</u>
<b>Business-type activities, net</b>	<u>\$ 33,606,464</u>	<u>\$ (686,225)</u>	<u>\$ -</u>	<u>\$ 32,920,239</u>

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

<b>Governmental activities</b>	
General government	\$ 95,928
Public safety	17,972
Public works	218,844
Culture and recreation	<u>42,149</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$374,893</u></b>
<b>Business-type activities</b>	
Sewer	\$400,574
Airport	<u>365,267</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$765,841</u></b>

As of December 31, 2019, the Township had outstanding construction projects to be completed. Construction commitments and the amounts completed as of December 31, 2019 are as follows:

	<u>Project Amount</u>	<u>Completed Through December 31, 2019</u>	<u>Remaining Commitments</u>
Police station	\$4,514,037	\$4,496,837	\$ 17,200
Township park phase 2	<u>1,337,787</u>	<u>1,220,866</u>	<u>116,921</u>
	<b><u>\$5,851,824</u></b>	<b><u>\$5,717,703</u></b>	<b><u>\$134,121</u></b>

As of December 31, 2019, the Township had \$171,070 of non-contractual costs related to the construction of the police station and the Township Park project. The Township also had \$2,617 of non-contractual costs related to the construction design services for the west hangar site under business-type activities.

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2019 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Sewer Fund	\$ 53,070	General Fund	\$ 53,070
Sewer Fund	492	Airport Fund	492
General Fund	665,644	Nonmajor Governmental Fund	665,644
General Fund	1,444,204	Capital Fund	1,444,204
Debt Service Fund	1,263	Airport Fund	1,263
General Fund	<u>272,029</u>	Airport Fund	<u>272,029</u>
	<b><u>\$2,436,702</u></b>		<b><u>\$2,436,702</u></b>

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, 2019 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Fund	\$ 453,000	General Fund	\$ 453,000
Nonmajor Governmental Fund	285,000	General Fund	285,000
Sewer Authority Fund	168,268	Sewer Fund	168,268
Debt Service Fund	<u>196,000</u>	General Fund	<u>196,000</u>
	<b><u>\$1,102,268</u></b>		<b><u>\$1,102,268</u></b>

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 and culture and recreation expenditures. Transfers to the Debt Service Fund from the General Fund represent monies to subsidize costs associated with debt service payments. 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, 2019:

	<b>Balance January 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2019</b>	<b>Amount Due Within One Year</b>
<b>Governmental activities</b>					
<b>General obligation debt:</b>					
Notes payable	\$ 408,133	\$2,950,000	\$ 185,695	\$3,172,438	\$172,438
<b>Other noncurrent liabilities</b>					
Installment note payable	484,000	-	484,000	-	-
Compensated absences	24,259	-	2,093	22,166	-
Capital leases	91,404	31,444	58,603	64,245	48,025
Net pension liability (asset)	(467,222)	770,151	751,096	(448,167)	-
<b>Total other noncurrent liabilities</b>	<u>132,441</u>	<u>801,595</u>	<u>1,295,792</u>	<u>(361,756)</u>	<u>48,025</u>
<b>Total noncurrent liabilities governmental activities</b>	<u>\$ 540,574</u>	<u>\$3,751,595</u>	<u>\$1,481,487</u>	<u>\$2,810,682</u>	<u>\$220,463</u>

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

<b>Business-type activities</b>					
<b>General obligation debt:</b>					
Sewer revenue notes	\$ 502,000	\$ -	\$ 160,000	\$ 342,000	\$167,000
PIB loan	576,932	-	67,336	509,596	68,346
<b>Other noncurrent liabilities</b>					
Net pension liability	18,166	33,714	-	51,880	-
Compensated absences	7,769	3,588	-	11,357	-
<b>Total noncurrent liabilities business-type activities</b>	<u>\$1,104,867</u>	<u>\$ 37,302</u>	<u>\$ 227,336</u>	<u>\$ 914,833</u>	<u>\$235,346</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, 2019 consisted of the following:

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### 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 \$172,438 at December 31, 2019.

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 Series 2014 Note was paid in full at December 31, 2019.

On December 27, 2018, the Township entered into a note payable agreement for \$4,500,000 with a financial institution to fund project costs associated with the construction of a new police station. \$50,000 of the total note payable proceeds were drawn at the time of closing, an additional \$2,950,000 was drawn during 2019, and \$1,500,000 is available for future requisition draws as of December 31, 2019. The note payable bears interest initially and for a period of 5 years at the rate of 3.72% per annum, after which the note shall bear interest at a floating rate of Wall Street Journal Prime Rate + 0%, and matures November 27, 2028.

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

<u>Year ending December 31,</u>	<u>Principal</u> <u>Maturities</u>	<u>Interest</u> <u>Maturities</u>	<u>Total</u> <u>Maturities</u>
2020	\$ 172,438	\$ 115,721	\$ 288,159
2021	327,858	110,054	437,912
2022	340,340	97,571	437,911
2023	353,297	84,613	437,910
2024	346,575	123,147	469,722
2025-2028	<u>1,631,930</u>	<u>246,954</u>	<u>1,878,884</u>
	<u>\$3,172,438</u>	<u>\$ 778,060</u>	<u>\$3,950,498</u>

### 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 \$342,000 at December 31, 2019.

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# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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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 \$509,596 at December 31, 2019.

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>
2020	\$235,346	\$12,094	\$247,440
2021	244,465	7,354	251,819
2022	70,602	5,609	76,211
2023	71,758	4,453	76,211
2024	72,933	3,278	76,211
2025-2027	<u>156,492</u>	<u>2,981</u>	<u>159,473</u>
	<u>\$851,596</u>	<u>\$35,769</u>	<u>\$887,365</u>

The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2019.

### 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, 2019 was an asset of \$49,769. 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 were due in two equal installments of \$484,000 due on June 30, 2018 and June 30, 2019. The installment note payable was non-interest bearing. The note was paid in full at December 31, 2019.

### Capital Leases

The Township has entered into long-term lease agreements for police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of December 31, 2019 are as follows:

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$48,025	\$2,288	\$50,313
2021	10,700	579	11,279
2022	<u>5,520</u>	<u>118</u>	<u>5,638</u>
	<u>\$64,245</u>	<u>\$2,985</u>	<u>\$67,230</u>

The police vehicles are being utilized and paid for by the SCCRPD. During the term of the lease, the Township is receiving lease payments from the SCCRPD equal to the capital lease debt service requirements. Subsequent transfer of the assets to the SCCRPD is expected to be executed at the end of the lease term.

### (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.pmr.state.pa.us](http://www.pmr.state.pa.us).

#### Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2018:

Active employees	-
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	<u>2</u>
Total	<u>5</u>

#### 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 2019 MMO and employee contributions totaled \$0.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### 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, 2019 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) 2.80% inflation and salary increases ranging from 2.80% to 7.05%. The unfunded actuarial accrued liability (asset) is being amortized on the level dollar closed basis.

### 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%	7.3%	4.6%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.3%
International Equities (International Developed Markets)	15%	6.2%	3.5%
International Equities (Emerging Markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed Income	<u>15%</u>	<u>3.3%</u>	<u>1.1%</u>
Total Portfolio	<u>100%</u>	<u>7.5%</u>	<u>4.8%</u>

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, 2018.

### Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2018. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2018. The net pension asset is \$669,327 measured as the difference between the total pension liability of \$1,266,239 and the fiduciary net position of \$1,935,566.

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# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

As of December 31, 2019, the net pension asset of \$669,327 is a negative 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 (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2018 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
<b>Balances as of December 31, 2017</b>	<u>\$1,500,708</u>	<u>\$2,044,569</u>	<u>\$(543,861)</u>
<b>Changes for the year:</b>			
Service cost	-	-	-
Interest on total pension liability	76,762	-	76,762
Differences between expected and actual experience	(233,078)	-	(233,078)
Employer contributions	-	61,338	(61,338)
Contributions – PMRS assessment	-	240	(240)
PMRS investment income	-	99,937	(99,937)
Market value investment income	-	(187,665)	187,665
Benefit payments	(78,153)	(78,153)	-
PMRS administrative expense	-	(240)	240
Additional administrative expense	-	(4,460)	4,460
<b>Net changes</b>	<u>(234,469)</u>	<u>(109,003)</u>	<u>(125,466)</u>
<b>Balances as of December 31, 2018</b>	<u>\$1,266,239</u>	<u>\$1,935,566</u>	<u>\$(669,327)</u>

### **Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) 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)	<u>\$(509,021)</u>	<u>\$(669,327)</u>	<u>\$(801,814)</u>

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

For the year ended December 31, 2018, the Township recognized negative net pension expense of \$64,539. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 47,522	\$292,697
Changes in assumptions	70,721	97,598
Net difference between projected and actual earnings on pension plan investments	-	28,886
	<u>\$118,243</u>	<u>\$419,181</u>

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

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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**Year ended December 31:**

2019	\$ (47,587)
2020	(85,414)
2021	(69,540)
2022	(7,843)
2023	(57,258)
Thereafter	<u>(33,296)</u>
	<u><u>\$ (300,938)</u></u>

**Actuarial Methods and Significant Assumptions**

- Investment return – 5.25% (including inflation)
- Discount rate – 5.25%
- Inflation – 2.80%
- Salary increases – 2.80%-7.05% per year age related scale with merit and inflation component
- Mortality rates – RP 2000 mortality tables for males and females

**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.pmr.state.pa.us>.

**Plan Membership**

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2018:

Active employees	12
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	<u>-</u>
Total	<u>19</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.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### 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 2019 MMO contribution totaled \$112,926 and employee contributions totaled \$42,933.

### 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, 2019 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) 2.80% inflation and salary increases ranging from 2.80% to 7.05%. The unfunded actuarial accrued liability (asset) is being amortized on the level dollar closed basis.

### 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%	7.3%	4.6%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.3%
International Equities (International Developed Markets)	15%	6.2%	3.5%
International Equities (Emerging Markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed Income	15%	3.3%	1.1%
Total Portfolio	100%	7.5%	4.8%

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# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2018.

### Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2018. The total pension liability was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2018. The net pension liability is \$273,040 measured as the difference between the total pension liability of \$3,191,041 and the fiduciary net position of \$2,918,001.

As of December 31, 2019, \$221,160 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 \$51,880 of the net pension liability is recorded as liability in the Sewer Fund for \$20,235 and in the Airport Fund for \$31,645 in the proprietary funds statement of net position, and in the business-type 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, 2018 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
<b>Balances as of December 31, 2017</b>	<u>\$3,101,183</u>	<u>\$3,006,378</u>	<u>\$ 94,805</u>
<b>Changes for the year:</b>			
Service cost	96,724	-	96,724
Interest on total pension liability	164,663	-	164,663
Differences between expected and actual experience	(47,000)	-	(47,000)
Employer contributions	-	118,758	(118,758)
Contributions – PMRS assessment	-	420	(420)
Member contributions	-	42,374	(42,374)
PMRS investment income	-	147,951	(147,951)
Market value investment income	-	(266,329)	266,329
Benefit payments	(124,529)	(124,529)	-
PMRS administrative expense	-	(420)	420
Additional administrative expense	-	(6,602)	6,602
<b>Net changes</b>	<u>89,858</u>	<u>(88,377)</u>	<u>178,235</u>
<b>Balances as of December 31, 2018</b>	<u>\$3,191,041</u>	<u>\$2,918,001</u>	<u>\$ 273,040</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)	<u>\$652,531</u>	<u>\$273,040</u>	<u>\$(49,359)</u>

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

For the year ended December 31, 2018, the Township recognized net pension expense of \$75,354. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 70,956	\$46,040
Changes in assumptions	50,687	15,770
Net difference between projected and actual earnings on pension plan investments	24,031	-
Contributions subsequent to the measurement date	<u>113,634</u>	<u>-</u>
	<u>\$259,308</u>	<u>\$61,810</u>

An amount of \$113,634 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended December 31:

2019	\$ 15,212
2020	(11,315)
2021	2,134
2022	66,936
2023	17,613
Thereafter	<u>(6,716)</u>
	<u>\$ 83,864</u>

### Actuarial Methods and Significant Assumptions

- Investment return – 5.25% (including inflation)
- Discount rate – 5.25%
- Inflation – 2.80%
- Salary increases – 2.80%-7.05% per year age related scale with merit and inflation component
- Mortality rates – RP 2000 mortality tables for males and females

## (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 \$410,236 for the year ended December 31, 2019.

### 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.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### 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.

### (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 2019. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Township participates in a healthcare trust with other governmental entities from Pennsylvania and Delaware. The healthcare trust is a public entity risk pool is designed to provide healthcare coverage for eligible employees, spouses and dependents. The Trust was established for the sole and exclusive benefit of the employees of the member governmental entities. While the healthcare trust is self-funded, each member governmental entity receives a fully-insured equivalent rate which is guaranteed for twelve months and represents a total risk transfer to the healthcare trust. The Township is not responsible for any additional assessments upon termination. The healthcare trust assumes the risk for all claims including large claims and purchases commercial reinsurance for claims over \$1 million.

### (10) SALE OF SEWERAGE SYSTEM

The Township and the 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, 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 during the next several years 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 purchase the sewerage system and to begin serving customers in 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 2017 Order issued by the PUC. The Commonwealth of Pennsylvania Court then heard oral arguments on September 14, 2018 and issued its decision on October 11, 2018. The decision sends the matter back to the PUC for further review and action. Aqua then filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court which was denied. Discussions among Aqua, the Township and the Authority were ongoing with respect to identifying possible ways in which to address the issues raised by the Office of Consumer Advocate and the decision of the Commonwealth of Pennsylvania Court. These discussions resulted in a Joint Petition for Approval of Settlement of Remand Proceeding (the "**Petition**") which has been filed with the PUC. After filing the Petition, the required public notices were sent to all New Garden Township sewer customers as-well-as all Aqua water and sewer customers. The public comment period was open through June 2020. The next step after the close of the public comment period will be determined by the Administrative Law Judge based on the content of the comments received.

# NEW GARDEN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2020, the date on which the financial statements were available to be issued. Except as disclosed in Note 10 and below, no material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in the financial statements.

In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Chester County, Pennsylvania for what was an extended period of time. Future potential impacts may include disruption of Township services and impairment of the ability to generate revenues. The future effects of these issues are unknown.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NEW GARDEN TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended December 31, 2019

	<b>Original and Final <u>Budget</u></b>	<b><u>Actual</u></b>	<b>Variance with Budget Positive (Negative)</b>
<b>REVENUES</b>			
Taxes			
Real estate taxes	\$ 1,360,500	\$ 1,386,635	\$ 26,135
Real estate transfer taxes	355,000	392,879	37,879
Earned income taxes	2,329,400	2,421,901	92,501
Local services taxes	203,800	230,330	26,530
Amusement taxes	10,000	10,744	744
<b>Total taxes</b>	<b>4,258,700</b>	<b>4,442,489</b>	<b>183,789</b>
Licenses and permits	228,600	228,841	241
Fines and forfeits	78,800	118,974	40,174
Interest, rents and royalties	147,300	178,438	31,138
Intergovernmental revenues	402,400	322,531	(79,869)
Charges for services	437,400	504,856	67,456
Contributions and donations	750	6,281	5,531
<b>Total revenues</b>	<b>5,553,950</b>	<b>5,802,410</b>	<b>248,460</b>
<b>EXPENDITURES</b>			
Current			
General government			
Legislative	38,700	41,140	(2,440)
Executive	147,500	138,970	8,530
Auditing services/financial administration	176,400	172,952	3,448
Tax collection	9,400	8,114	1,286
Solicitor/legal services	205,000	163,977	41,023
Secretary/clerk	100,050	89,286	10,764
Other general government administration	260,600	220,515	40,085
Engineering services	480,000	442,364	37,636
General government buildings and plants	97,700	61,180	36,520
<b>Total general government</b>	<b>1,515,350</b>	<b>1,338,498</b>	<b>176,852</b>
Public safety			
Police	2,128,950	2,109,118	19,832
Fire	311,100	313,451	(2,351)
Ambulance/rescue	193,400	193,417	(17)
UCC and code enforcement	152,100	202,551	(50,451)
Planning and zoning	73,000	45,215	27,785
Emergency management and communication	500	-	500
<b>Total public safety</b>	<b>2,859,050</b>	<b>2,863,752</b>	<b>(4,702)</b>
Public works - sanitation			
Recycling collection and disposal	6,500	738	5,762
Solid waste collection and disposal	6,500	7,110	(610)
<b>Total public works - sanitation</b>	<b>13,000</b>	<b>7,848</b>	<b>5,152</b>

Continued on next page

# NEW GARDEN TOWNSHIP

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2019

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Budget Positive (Negative)</b>
Public works - highways and streets			
General services - administration	591,500	443,075	148,425
Cleaning of streets and gutters	9,000	16,153	(7,153)
Winter maintenance - snow removal	50,000	49,102	898
Traffic control devices	27,000	20,129	6,871
Street lighting	22,000	21,131	869
Storm sewers and drains	36,000	40,242	(4,242)
Maintenance and repairs of roads and bridges	38,000	12,869	25,131
<b>Total public works - highways and streets</b>	<u>773,500</u>	<u>602,701</u>	<u>170,799</u>
Public works - other services			
Airport	14,700	13,600	1,100
Storm water and flood control	23,500	22,500	1,000
<b>Total public works - other services</b>	<u>38,200</u>	<u>36,100</u>	<u>2,100</u>
Culture and recreation			
Culture and recreation - administration	31,250	29,676	1,574
Participant recreation	-	22,894	(22,894)
Parks	241,000	182,239	58,761
Libraries	80,600	80,853	(253)
Senior citizens' centers	3,000	3,000	-
All other culture and recreation	2,000	951	1,049
<b>Total culture and recreation</b>	<u>357,850</u>	<u>319,613</u>	<u>38,237</u>
Community development			
Conservation of natural resources	5,000	8,975	(3,975)
<b>Total community development</b>	<u>5,000</u>	<u>8,975</u>	<u>(3,975)</u>
<b>Total expenditures</b>	<u>5,561,950</u>	<u>5,177,487</u>	<u>384,463</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(8,000)</u>	<u>624,923</u>	<u>632,923</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	2,000	175	(1,825)
Refund of prior year expenditures	14,300	41,636	27,336
Refund of prior year receipts	(10,000)	(926)	9,074
Transfers out	(1,275,000)	(934,000)	341,000
<b>Total other financing sources (uses)</b>	<u>(1,268,700)</u>	<u>(893,115)</u>	<u>375,585</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$(1,276,700)</u>	<u>(268,192)</u>	<u>\$1,008,508</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>3,914,222</u>	
End of year		<u>\$ 3,646,030</u>	

**NEW GARDEN TOWNSHIP**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

Year ended December 31

	<u>2018</u>		<u>2017</u>	
	<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ -	\$ 96,724	\$ 4,861	\$ 93,894
Interest on total pension liability	76,762	164,663	134,337	158,820
Differences between expected and actual experience	(233,078)	(47,000)	-	-
Changes of assumptions	-	-	-	-
Transfers	-	-	(2,241,714)	(38,948)
Benefit payments, including refunds of member contributions	(78,153)	(124,529)	(113,038)	(124,529)
<b>Net change in total pension liability</b>	<b>(234,469)</b>	<b>89,858</b>	<b>(2,215,554)</b>	<b>89,237</b>
<b>Total pension liability, beginning</b>	<b>1,500,708</b>	<b>3,101,183</b>	<b>3,716,262</b>	<b>3,011,946</b>
<b>Total pension liability, ending</b>	<b>\$ 1,266,239</b>	<b>\$ 3,191,041</b>	<b>\$ 1,500,708</b>	<b>\$ 3,101,183</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 61,578	\$ 119,178	\$ 418,043	\$ 116,841
Member contributions	-	42,374	1,619	40,758
PMRS investment income	99,937	147,951	90,946	138,509
Market value investment income	(187,665)	(266,329)	308,487	314,421
Transfers	-	-	(2,241,714)	(38,948)
Benefit payments	(78,153)	(124,529)	(113,038)	(124,529)
PMRS administrative expense	(240)	(420)	(320)	(380)
Additional administrative expense	(4,460)	(6,602)	(4,183)	(6,370)
<b>Net change in plan fiduciary net position</b>	<b>(109,003)</b>	<b>(88,377)</b>	<b>(1,540,160)</b>	<b>440,302</b>
<b>Fiduciary net position, beginning</b>	<b>2,044,569</b>	<b>3,006,378</b>	<b>3,584,729</b>	<b>2,566,076</b>
<b>Fiduciary net position, ending</b>	<b>\$ 1,935,566</b>	<b>\$ 2,918,001</b>	<b>\$ 2,044,569</b>	<b>\$ 3,006,378</b>
<b>Net pension liability (asset), ending</b>	<b>\$ (669,327)</b>	<b>\$ 273,040</b>	<b>\$ (543,861)</b>	<b>\$ 94,805</b>
<b>Fiduciary net position as a % of total pension liability</b>	152.86%	91.44%	136.24%	96.94%
<b>Covered payroll</b>	-	820,497	32,378	796,492
<b>Net pension liability (asset) as a % of covered payroll</b>	N/A	33.28%	-1679.72%	11.90%

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.

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**Measurement Date**


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<u>2016</u>		<u>2015</u>		<u>2014</u>	
<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>
\$ 136,736	\$ 85,480	\$ 168,226	\$ 84,795	\$ 152,449	\$ 108,897
197,623	149,987	196,272	144,888	178,578	139,446
(148,064)	113,532	(680)	-	106,927	(15,339)
113,156	81,098	(175,674)	(31,538)	-	-
-	-	(107,807)	54,333	-	-
<u>(78,153)</u>	<u>(117,837)</u>	<u>(78,153)</u>	<u>(149,056)</u>	<u>(78,153)</u>	<u>(124,773)</u>
221,298	312,260	2,184	103,422	359,801	108,231
<u>3,494,964</u>	<u>2,699,686</u>	<u>3,492,780</u>	<u>2,596,264</u>	<u>3,132,979</u>	<u>2,488,033</u>
<u>\$ 3,716,262</u>	<u>\$ 3,011,946</u>	<u>\$ 3,494,964</u>	<u>\$ 2,699,686</u>	<u>\$ 3,492,780</u>	<u>\$ 2,596,264</u>
\$ 158,276	\$ 116,296	\$ 160,770	\$ 113,535	\$ 143,425	\$ 108,552
49,233	37,695	48,259	36,307	43,910	35,648
190,199	137,335	177,230	127,773	163,319	113,091
79,388	67,269	(189,141)	(132,632)	(7,612)	89,696
-	-	(107,807)	54,333	-	-
(78,153)	(117,837)	(78,153)	(149,056)	(78,153)	(124,773)
(300)	(360)	(340)	(400)	(300)	(380)
<u>(9,318)</u>	<u>(6,728)</u>	<u>(7,388)</u>	<u>(5,327)</u>	<u>(6,263)</u>	<u>(4,337)</u>
389,325	233,670	3,430	44,533	258,326	217,497
<u>3,195,404</u>	<u>2,332,406</u>	<u>3,191,974</u>	<u>2,287,873</u>	<u>2,933,648</u>	<u>2,070,376</u>
<u>\$ 3,584,729</u>	<u>\$ 2,566,076</u>	<u>\$ 3,195,404</u>	<u>\$ 2,332,406</u>	<u>\$ 3,191,974</u>	<u>\$ 2,287,873</u>
<u>\$ 131,533</u>	<u>\$ 445,870</u>	<u>\$ 299,560</u>	<u>\$ 367,280</u>	<u>\$ 300,806</u>	<u>\$ 308,391</u>
96.46%	85.20%	91.43%	86.40%	91.39%	88.12%
984,667	753,893	965,185	726,136	871,359	900,589
13.36%	59.14%	31.04%	50.58%	34.52%	34.24%

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**NEW GARDEN TOWNSHIP**

**SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS**

Year ended December 31, 2019

**Police Pension Fund**

<b>Measurement Date December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
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	418,043	(237,479)	32,378	1291.13%
2018	61,579	61,579	-	-	0.00%
2019	-	-	-	-	0.00%

**Nonuniform Pension Fund**

<b>Measurement Date December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
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	-	796,492	14.67%
2018	119,178	119,178	-	820,497	14.53%
2019	113,634	113,634	-	816,727	13.91%

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.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

**NEW GARDEN TOWNSHIP**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES**

December 31, 2019

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Hydrant Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Recreation Fund</u>	
<b>ASSETS</b>				
Cash	\$ 316,948	\$ 74,191	\$346,990	\$ 738,129
Taxes receivable	30,821	-	-	30,821
Accounts receivable	<u>1,742</u>	<u>-</u>	<u>-</u>	<u>1,742</u>
<b>Total assets</b>	<u>\$ 349,511</u>	<u>\$ 74,191</u>	<u>\$346,990</u>	<u>\$ 770,692</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 7,735	\$ -	\$ 83,818	\$ 91,553
Due to other funds	<u>-</u>	<u>-</u>	<u>665,644</u>	<u>665,644</u>
<b>Total liabilities</b>	<u>7,735</u>	<u>-</u>	<u>749,462</u>	<u>757,197</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	<u>29,439</u>	<u>-</u>	<u>-</u>	<u>29,439</u>
 <b>FUND BALANCES (DEFICIT)</b>				
Restricted for				
Public works - roads	-	74,191	-	74,191
Committed to				
Fire hydrant service	312,337	-	-	312,337
Unassigned	<u>-</u>	<u>-</u>	<u>(402,472)</u>	<u>(402,472)</u>
<b>Total fund balances (deficit)</b>	<u>312,337</u>	<u>74,191</u>	<u>(402,472)</u>	<u>(15,944)</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 349,511</u>	<u>\$ 74,191</u>	<u>\$346,990</u>	<u>\$ 770,692</u>

**NEW GARDEN TOWNSHIP**

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

Year ended December 31, 2019

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Hydrant Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Recreation Fund</u>	
<b>REVENUES</b>				
Taxes	\$ 123,743	\$ -	\$ -	\$ 123,743
Interest, rents and royalties	4,627	363	196	5,186
Intergovernmental revenues	-	445,164	282,500	727,664
Charges for services	-	-	19,500	19,500
<b>Total revenues</b>	<u>128,370</u>	<u>445,527</u>	<u>302,196</u>	<u>876,093</u>
<b>EXPENDITURES</b>				
Current				
Public works - highways and streets	-	441,357	-	441,357
Public works - other services	110,613	-	-	110,613
Culture and recreation	-	-	1,115,777	1,115,777
<b>Total expenditures</b>	<u>110,613</u>	<u>441,357</u>	<u>1,115,777</u>	<u>1,667,747</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	17,757	4,170	(813,581)	(791,654)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	285,000	285,000
<b>NET CHANGE IN FUND BALANCES</b>	17,757	4,170	(528,581)	(506,654)
<b>FUND BALANCES (DEFICIT)</b>				
Beginning of year	<u>294,580</u>	<u>70,021</u>	<u>126,109</u>	<u>490,710</u>
<b>End of year</b>	<u>\$ 312,337</u>	<u>\$ 74,191</u>	<u>\$(402,472)</u>	<u>\$ (15,944)</u>

**NEW GARDEN TOWNSHIP**

**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**December 31, 2019**

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	<b>Police Pension Fund</b>	<b>Non- Uniform Pension Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Investments	<u>\$ 1,217,741</u>	<u>\$ 1,441,775</u>	<u>\$ 2,659,516</u>
<b>NET POSITION</b>			
Assets held in trust for pension benefits	<u>\$ 1,217,741</u>	<u>\$ 1,441,775</u>	<u>\$ 2,659,516</u>

**NEW GARDEN TOWNSHIP****COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**Year ended December 31, 2019

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	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contributions	\$ -	\$ 112,926	\$ 112,926
Member contributions	-	<u>42,933</u>	<u>42,933</u>
<b>Total contributions</b>	<u>-</u>	<u>155,859</u>	<u>155,859</u>
<b>Investment income</b>			
Interest	<u>60,622</u>	<u>66,364</u>	<u>126,986</u>
<b>Total additions</b>	<u>60,622</u>	<u>222,223</u>	<u>282,845</u>
<b>DEDUCTIONS</b>			
Benefits and refunds paid	-	433,976	433,976
Administrative expenses	-	460	460
Other expenses	<u>-</u>	<u>327</u>	<u>327</u>
<b>Total deductions</b>	<u>-</u>	<u>434,763</u>	<u>434,763</u>
<b>CHANGE IN NET POSITION</b>	60,622	(212,540)	(151,918)
<b>NET POSITION</b>			
Beginning of year	<u>1,157,119</u>	<u>1,654,315</u>	<u>2,811,434</u>
<b>End of year</b>	<u>\$ 1,217,741</u>	<u>\$ 1,441,775</u>	<u>\$ 2,659,516</u>

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**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, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 21, 2020.

**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  
September 21, 2020**