



New Garden Township Landenberg, Pennsylvania Chester County

Financial Statements
Year Ended December 31, 2020



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NEW GARDEN TOWNSHIP

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
<i>Statement of Net Position</i>	15
<i>Statement of Activities</i>	16
<i>Balance Sheet – Governmental Funds</i>	17
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position of Governmental Activities on the Statement of Net Position</i>	18
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	19
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities on the Statement of Activities</i>	20
<i>Statement of Net Position – Proprietary Funds</i>	21
<i>Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds</i>	22
<i>Statement of Cash Flows – Proprietary Funds</i>	23
<i>Statement of Net Position – Fiduciary Funds</i>	24
<i>Statement of Changes in Net Position – Fiduciary Funds</i>	25
<i>Notes to Financial Statements</i>	26
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	47
<i>Schedule of Changes in Net Pension Liability (Asset)</i>	49
<i>Schedule of Township Pension Contributions</i>	50
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS	
<i>Combining Balance Sheet – Nonmajor Governmental Fund Types</i>	51
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Fund Types</i>	52
<i>Combining Statement of Net Position – Fiduciary Funds</i>	53
<i>Combining Statement of Changes in Net Position – Fiduciary Funds</i>	54
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	55



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, 2020, 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Open Space Fund	Unmodified
Capital Fund	Unmodified
Debt Service Fund	Unmodified
Sewer Fund	Unmodified
Airport Fund	Unmodified
Sewer Authority Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

Basis for Adverse Opinion on Aggregate Remaining Fund Information

Management has not included the Police and Nonuniform Pension Trust Funds in New Garden Township's financial statements. Accounting principles generally accepted in the United States of America require the Police and Nonuniform Pension Trust Funds to be presented as fiduciary funds, thus increasing that fund's assets, liabilities, revenues and expenses and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate remaining fund information has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the Police and Nonuniform Pension Trust Funds of New Garden Township, Landenberg, Pennsylvania, as of December 31, 2020, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, and each major fund of New Garden Township, Landenberg, Pennsylvania, as of December 31, 2020, and the respective changes in financial position 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 4 through 14 and 47 through 50 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 October 4, 2021, 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
October 4, 2021**

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

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, 2020. 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 11,363 according to the 2020 census, and 11,984 according to the 2010 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 24 full-time and part-time employees in the Township, including 16 public works, airport and parks employees and 8 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 2020 fiscal year of \$71,625,154. During the 2020 fiscal year, the Township had an increase in total net position of \$14,251,410. The net position of the governmental activities increased by \$30,708,842 and net position of business-type activities decreased by \$16,457,432.
- As of the close of the 2020 fiscal year, the Township's governmental funds reported combined ending fund balances of \$30,633,598, an increase of \$27,009,349 in comparison with the prior year. The current year increase is primarily due to proceeds from the sale of the sewerage system transferred to the Capital Fund from the Sewer Fund and Sewer Authority Fund.
- The General Fund reported a decrease in fund balance of \$43,017, bringing the cumulative balance to \$3,603,013 or 59.77% of total General Fund expenditures and other financing uses at the conclusion of the 2020 fiscal year.
- General Fund revenues and other financing sources were \$419,065 or 7.53% more than budgeted amounts and General Fund expenditures and other financing uses were \$443,608 or 6.85% less than budgeted amounts resulting in a net positive variance of \$862,673.
- 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 resulting in a disruption of the Township services.

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.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

Governmental Activities

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

Business-type Activities

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

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

FUND FINANCIAL STATEMENTS

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

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, 2020

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 26 through 46 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 47 through 54 of this report.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

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 2020 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$71,625,154. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2020 and 2019.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$32,796,621	\$ 4,559,304	\$ 4,024,236	\$ 3,909,532	\$36,820,857	\$ 8,468,836
Noncurrent assets	<u>22,461,235</u>	<u>21,527,968</u>	<u>15,777,103</u>	<u>32,868,359</u>	<u>38,238,338</u>	<u>54,396,327</u>
Total assets	<u>55,257,856</u>	<u>26,087,272</u>	<u>19,801,339</u>	<u>36,777,891</u>	<u>75,059,195</u>	<u>62,865,163</u>
DEFERRED OUTFLOWS						
Deferred charges						
- pensions	<u>241,613</u>	<u>328,281</u>	<u>63,113</u>	<u>49,270</u>	<u>304,726</u>	<u>377,551</u>
LIABILITIES						
Current liabilities	2,072,019	856,796	197,091	409,381	2,269,110	1,266,177
Noncurrent liabilities	<u>42,667</u>	<u>3,258,849</u>	<u>468,618</u>	<u>862,953</u>	<u>511,285</u>	<u>4,121,802</u>
Total liabilities	<u>2,114,686</u>	<u>4,115,645</u>	<u>665,709</u>	<u>1,272,334</u>	<u>2,780,395</u>	<u>5,387,979</u>
DEFERRED INFLOWS						
Deferred credits						
- pensions	<u>845,279</u>	<u>469,246</u>	<u>113,093</u>	<u>11,745</u>	<u>958,372</u>	<u>480,991</u>
NET POSITION						
Net investment in capital						
assets	21,316,680	17,907,363	15,274,096	32,068,643	36,590,776	49,976,006
Restricted	27,581,644	1,107,981	-	-	27,581,644	1,107,981
Unrestricted	<u>3,641,180</u>	<u>2,815,318</u>	<u>3,811,554</u>	<u>3,474,439</u>	<u>7,452,734</u>	<u>6,289,757</u>
Total net position	<u>\$52,539,504</u>	<u>\$21,830,662</u>	<u>\$19,085,650</u>	<u>\$35,543,082</u>	<u>\$71,625,154</u>	<u>\$57,373,744</u>

The Township's total assets as of December 31, 2020 were \$75,059,195 of which \$33,468,324 or 44.59% consisted of unrestricted cash and \$37,031,933 or 49.33% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2020 were \$2,780,395 of which \$1,861,481 or 66.95% consisted of escrow deposits.

Of the Township's total net position at December 31, 2020, \$7,452,734 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors. The Township's unrestricted net position increased by \$1,162,977 during 2020 primarily due to the current results of operations and the net change in the net pension asset and related deferred outflows and inflows.

A portion of the Township's net position reflects its restricted net position which totaled \$27,581,644 as of December 31, 2020. 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 Township's restricted net position increased by \$26,473,663 due to proceeds from the sale of the sewerage system transferred to the Capital Fund from the Sewer Fund and Sewer Authority Fund.

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, 2020, the Township's net investment in capital assets decreased by \$13,385,230 primarily due to the sale of the capital assets of the Sewer Fund.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

The following table presents condensed information for the *Statement of Activities* of the Township for 2020 and 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES						
Program revenues						
Charges for services	\$ 918,483	\$ 816,735	\$ 4,116,681	\$3,672,272	\$ 5,035,164	\$ 4,489,007
Operating grants and contributions	652,876	678,089	83,676	-	736,552	678,089
Capital grants and contributions	67,899	642,581	-	-	67,899	642,581
General revenues						
Taxes	5,160,852	4,984,137	-	-	5,160,852	4,984,137
Franchise fees	206,814	215,112	-	-	206,814	215,112
Investment earnings	11,609	49,126	8,859	40,988	20,468	90,114
Gain on sale of capital assets	11,676	175	13,297,957	-	13,309,633	175
Total revenues	<u>7,030,209</u>	<u>7,385,955</u>	<u>17,507,173</u>	<u>3,713,260</u>	<u>24,537,382</u>	<u>11,099,215</u>
EXPENSES						
General government	1,177,523	1,233,513	-	-	1,177,523	1,233,513
Public safety	2,884,667	2,882,215	-	-	2,884,667	2,882,215
Public works	1,500,134	1,458,172	-	-	1,500,134	1,458,172
Culture and recreation	344,969	372,707	-	-	344,969	372,707
Community development	32,030	104,525	-	-	32,030	104,525
Interest and amortization expense related to noncurrent liabilities	124,974	22,440	-	-	124,974	22,440
Sewer operations	-	-	2,618,219	2,702,439	2,618,219	2,702,439
Airport operations	-	-	1,603,456	1,409,430	1,603,456	1,409,430
Total expenses	<u>6,064,297</u>	<u>6,073,572</u>	<u>4,221,675</u>	<u>4,111,869</u>	<u>10,285,972</u>	<u>10,185,441</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	965,912	1,312,383	13,285,498	(398,609)	14,251,410	913,774
TRANSFERS	<u>29,742,930</u>	-	<u>(29,742,930)</u>	-	-	-
CHANGE IN NET POSITION	<u>\$30,708,842</u>	<u>\$1,312,383</u>	<u>\$(16,457,432)</u>	<u>\$(398,609)</u>	<u>\$14,251,410</u>	<u>\$ 913,774</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 41.05% of the revenue generated. Overall, tax revenues increased by \$176,715 primarily as a result of an increase in earned income and real estate transfer taxes in 2020 compared to 2019. In the business-type activities, charges for services increased by \$444,409 due to in-house airport maintenance services being performed for a full year and an increase in quarterly sewer billing rates in 2020.

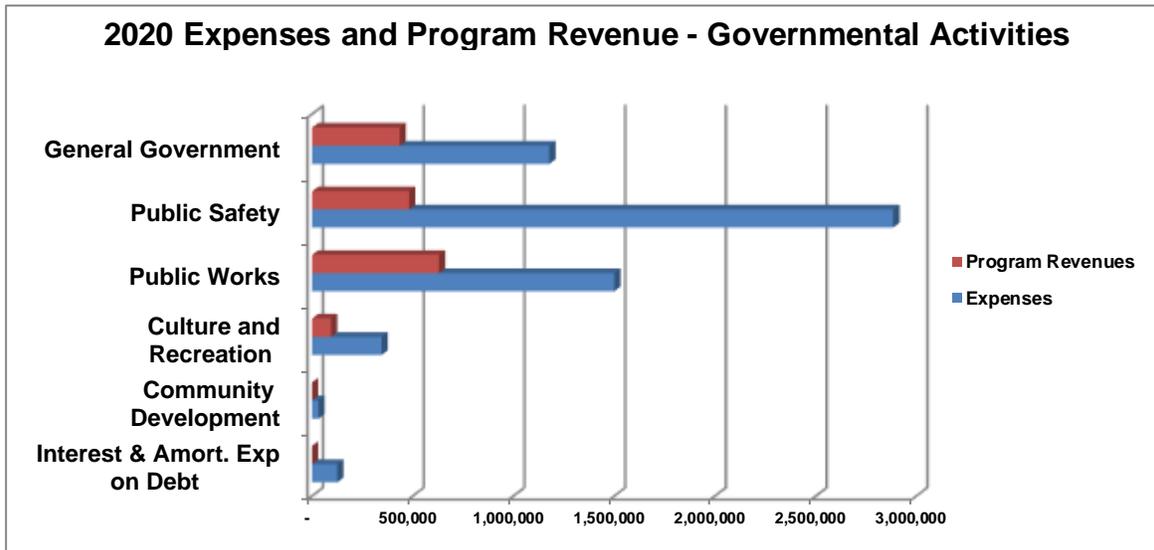
Public safety programs accounted for 47.57%, public works programs 24.74%; and general governmental programs 19.42% of the total expenses in the governmental activities. Expenses for governmental activities were consistent between 2020 and 2019. Airport expenses increased \$194,026 in 2020 compared to 2019 due to salaries and wages, employee benefits, repairs and maintenance and supplies related to in-house aircraft maintenance services for a full year in 2020. Sewer expenses decreased by \$84,220 in 2020 compared to 2019 as a result of lower costs for professional services primarily related to the sale of the sewerage system.

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.

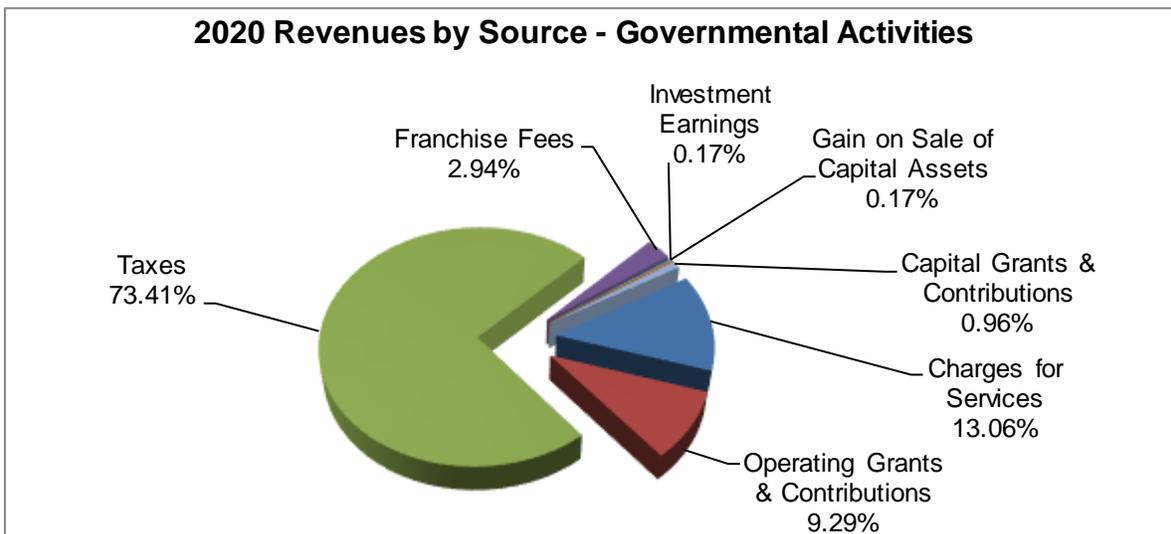
NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020



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, 2020, the Township's governmental funds reported a combined fund balance of \$30,633,598 which is an increase of \$27,009,349 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2020 and 2019 and the total 2020 change in governmental fund balances.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

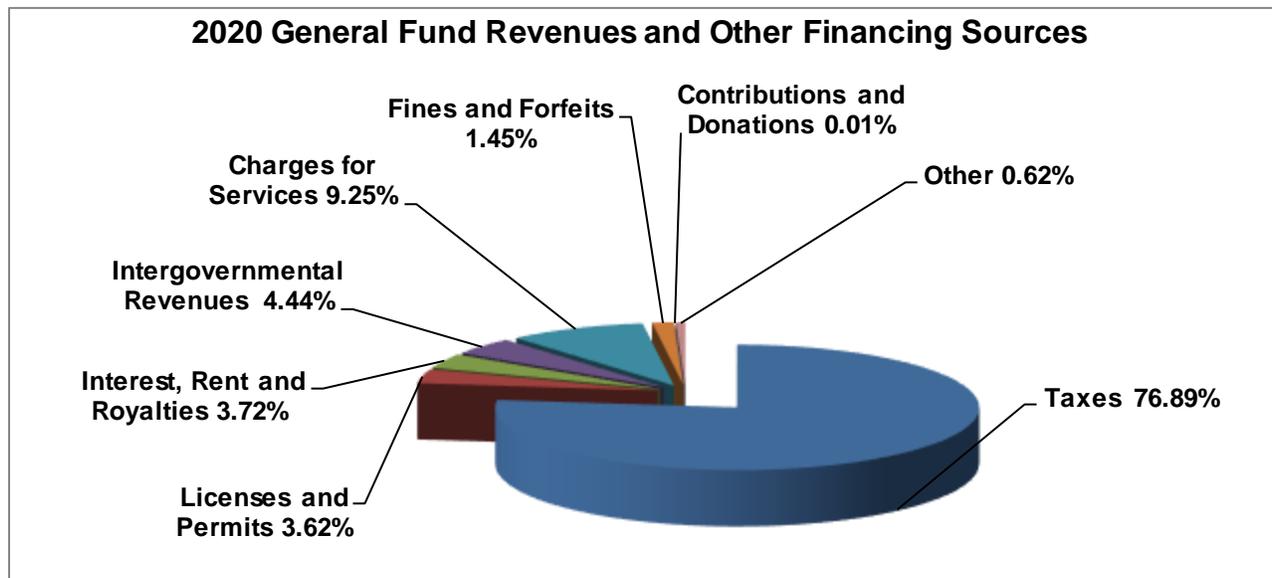
December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>
General Fund	\$ 3,603,013	\$3,646,030	\$ (43,017)
Open Space Fund	903,012	596,284	306,728
Capital Fund	26,120,438	(727,290)	26,847,728
Debt Service Fund	45,244	125,169	(79,925)
Nonmajor Governmental Funds	<u>(38,109)</u>	<u>(15,944)</u>	<u>(22,165)</u>
	<u>\$30,633,598</u>	<u>\$3,624,249</u>	<u>\$27,009,349</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2020 fiscal year the General Fund fund balance was \$3,603,013 representing a decrease of \$43,017 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 2020 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 76.89% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$4,601,723	\$4,442,489	\$159,234	3.58
Licenses and permits	216,869	228,841	(11,972)	(5.23)
Interest, rents and royalties	222,704	178,438	44,266	24.81
Intergovernmental revenues	265,636	322,531	(56,895)	(17.64)
Charges for services	553,764	504,856	48,908	9.69
Fines and forfeits	86,511	118,974	(32,463)	(27.29)
Contributions and donations	264	6,281	(6,017)	(95.80)
Other	<u>37,294</u>	<u>41,811</u>	<u>(4,517)</u>	<u>(10.80)</u>
	<u>\$5,984,765</u>	<u>\$5,844,221</u>	<u>\$140,544</u>	<u>2.40</u>

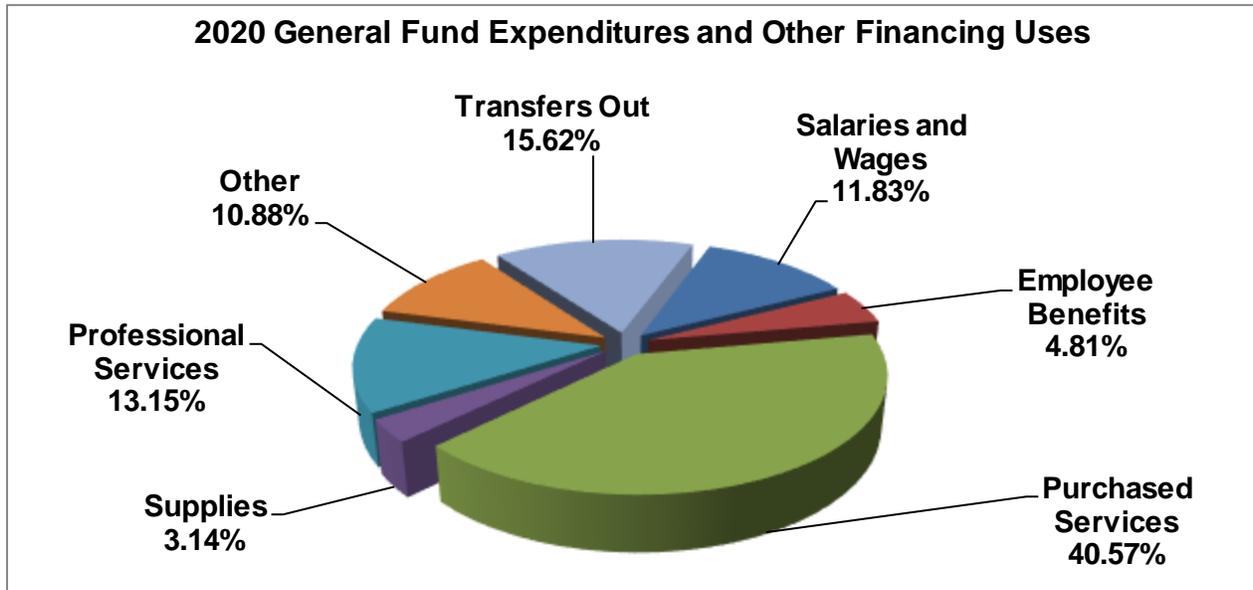
NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

Taxes increased by \$159,234 or 3.58% primarily due to an increase in earned income and real estate transfer tax collections in 2020 compared to 2019.

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

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 712,960	\$ 620,159	\$ 92,801	14.96
Employee benefits	290,009	300,260	(10,251)	(3.41)
Supplies	189,147	201,104	(11,957)	(5.95)
Purchased services	2,445,509	2,474,462	(28,953)	(1.17)
Professional services	792,930	985,157	(192,227)	(19.51)
Other	655,727	597,271	58,456	9.79
Transfers out	<u>941,500</u>	<u>934,000</u>	<u>7,500</u>	<u>0.80</u>
	<u>\$6,027,782</u>	<u>\$6,112,413</u>	<u>\$ (84,631)</u>	<u>(1.38)</u>

Salaries and wages increased by \$92,801 or 14.96% due to increased costs associated with new personnel for codes and public works.

Professional services decreased by \$192,227 or 19.51% as a result of lower costs associated with legal and engineering.

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, 2020

OPEN SPACE FUND

The Open Space Fund provides funding for preservation of open space within the Township. As of December 31, 2020, the Open Space Fund reported a fund balance of \$903,012, which is an increase of \$306,728 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 2020, the Capital Fund fund balance increased by \$26,847,728 for a cumulative balance of \$26,120,438 as of December 31, 2020 which is committed to capital purchases except for \$11,500 of nonspendable prepaid items. The current year increase is primarily due to proceeds from the sale of the sewerage system transferred to the Capital Fund from the Sewer and Sewer Authority Fund.

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, 2020, the Debt Service Fund reported a fund balance of \$45,244 which is a decrease of \$79,925 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 2020, the Nonmajor Governmental Funds fund balance decreased by \$22,165 for a cumulative deficit balance of \$38,109 as of December 31, 2020. Of the cumulative fund balance at December 31, 2020, \$185,312 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 \$327,638 and a deficit of \$551,059, respectively, of the cumulative fund balance as of December 31, 2020. 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 \$419,065 or 7.53% more than budgeted amounts and General Fund expenditures and other financing uses were \$443,608 or 6.85% less than budgeted amounts resulting in a net positive variance of \$862,673. Revenues and other financing sources were more than budgeted amounts primarily due to collection of real estate transfer and earned income taxes being more than budget and more than anticipated rental income and state grant revenues. Expenditures and other financing uses were less than budget primarily due to less than anticipated engineering and legal services, planning and zoning and public works costs in part due to disruptions caused by COVID-19.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 47 and 48. 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.

The Township and the Sewer Authority issued a request for proposal, including addenda, for the sale and acquisition of its sewerage system to two public utilities and one municipal authority, each of whom expressed interest in owning and operating the Township's sewerage system. After an evaluation of all proposals received, 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. On December 21, 2020, the Township and Aqua settled on the Asset Purchase Agreement to purchase the sewerage system in the amount of \$29,500,000.

The net position of the Township's Sewer Fund and Sewer Authority Fund decreased by \$16,163,634 during 2020. The decrease is primarily due proceeds from the sale of the sewerage system being transferred out to the Capital Fund. The net position of the Sewer Fund and Sewer Authority Fund totaled \$4,096,757 as of December 31, 2020.

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 Airport Fund decreased by \$293,798 during 2020. The decrease is primarily due to depreciation expense in excess of the results of operations. The net position of the Airport Fund totaled \$14,988,893 as of December 31, 2020.

CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounted to \$37,031,933 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 decrease in the Township's investment in capital assets for 2020 was \$16,968,107 or 31.42%. Current year capital additions were \$754,380, depreciation expense was \$1,163,103, net book value of vehicles transferred to the Southern Chester County Regional Police Department of \$85,781 and the net book value of the sewerage system sold of \$16,473,603.

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

Governmental Activities	
Police station – construction in progress (placed in service)	\$266,346
Township park phase 2 – construction in progress (placed in service)	\$197,696

NONCURRENT LIABILITIES

As of December 31, 2020, the Township had total general obligation debt of \$441,157 consisting solely of a Pennsylvania Infrastructure Bank loan.

NEW GARDEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

The Township had 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 was repaid in 2020 with the proceeds from the sale of the sewerage system. In addition, the Township had a note payable which was used to finance the construction of its Township which was also repaid in 2020 with the proceeds from the sale of the sewerage system.

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 \$1,206,405 as of December 31, 2020.

Other noncurrent liabilities consist of the Township's liability for compensated absences, which totaled \$70,128 as of December 31, 2020.

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

According to the 2020 U.S. Census, the Township had a population of 11,363. 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 adopted a balanced 2021 General Fund budget totaling \$6,352,530 which used \$870,930 of the General Fund fund balance as of December 31, 2020 and the real estate tax millage rate remained unchanged at 1.72 mills.

In July 2021, the Township approved a master plan for the former 137-acre St. Anthony's in the Hills property on Limestone Road. The master plan provides a blueprint for future recreation and public use improvements and conservation initiatives.

In June, 2021, the Township approved the purchase of 105-acre parcel of land that is home to the Loch Nairn Golf Club in Toughkenmon for approximately \$2.2 million to be paid in three installments, which will in part be funded with grant funding. The Township's plan is to preserve the land as open space.

The Township approved Ordinance No. 247 on February 16, 2021, effective February 21, 2021, which terminated the existence of the New Garden Township Sewer Authority under the Municipality Authorities Act. The remaining cash was transferred from the Authority to the Township on February 17, 2021 and the account was subsequently closed.

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, 2020 with summarized comparative totals for 2019

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 30,097,421	\$ 3,370,903	\$ 33,468,324	\$ 6,630,216
Restricted cash	1,853,425	8,056	1,861,481	465,511
Taxes receivable	286,632	-	286,632	239,866
Due from other governments	95,384	-	95,384	83,218
Accounts receivable	49,138	955,140	1,004,278	737,199
Internal balances	309,863	(309,863)	-	-
Other current assets	104,758	-	104,758	312,826
Total current assets	<u>32,796,621</u>	<u>4,024,236</u>	<u>36,820,857</u>	<u>8,468,836</u>
NONCURRENT ASSETS				
Net pension asset	1,144,555	61,850	1,206,405	396,287
Capital assets, net	21,316,680	15,715,253	37,031,933	54,000,040
Total noncurrent assets	<u>22,461,235</u>	<u>15,777,103</u>	<u>38,238,338</u>	<u>54,396,327</u>
Total assets	<u>55,257,856</u>	<u>19,801,339</u>	<u>75,059,195</u>	<u>62,865,163</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pensions	241,613	63,113	304,726	377,551
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	193,206	156,933	350,139	563,720
Accrued salaries and benefits	25,388	15,872	41,260	26,155
Escrow deposits	1,853,425	8,056	1,861,481	465,511
Other current liabilities	-	16,230	16,230	210,791
Total current liabilities	<u>2,072,019</u>	<u>197,091</u>	<u>2,269,110</u>	<u>1,266,177</u>
NONCURRENT LIABILITIES				
Due within one year	-	63,720	63,720	455,809
Due in more than one year	42,667	404,898	447,565	3,665,993
Total noncurrent liabilities	<u>42,667</u>	<u>468,618</u>	<u>511,285</u>	<u>4,121,802</u>
Total liabilities	<u>2,114,686</u>	<u>665,709</u>	<u>2,780,395</u>	<u>5,387,979</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	845,279	113,093	958,372	480,991
NET POSITION				
Net investment in capital assets	21,316,680	15,274,096	36,590,776	49,976,006
Restricted	27,581,644	-	27,581,644	1,107,981
Unrestricted	3,641,180	3,811,554	7,452,734	6,289,757
Total net position	<u>\$ 52,539,504</u>	<u>\$ 19,085,650</u>	<u>\$ 71,625,154</u>	<u>\$ 57,373,744</u>

See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2020 with summarized comparative totals for 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2020	2019
GOVERNMENTAL ACTIVITIES								
General government	\$ 1,177,523	\$ 406,014	\$ 28,163	\$ -	\$ (743,346)	\$ -	\$ (743,346)	\$ (904,626)
Public safety	2,884,667	394,225	87,602	-	(2,402,840)	-	(2,402,840)	(2,312,698)
Public works	1,500,134	58,065	525,909	45,399	(870,761)	-	(870,761)	(869,334)
Culture and recreation	344,969	60,179	11,202	22,500	(251,088)	-	(251,088)	63,146
Community development	32,030	-	-	-	(32,030)	-	(32,030)	109,785
Interest expense related to noncurrent liabilities	124,974	-	-	-	(124,974)	-	(124,974)	(22,440)
Total governmental activities	<u>6,064,297</u>	<u>918,483</u>	<u>652,876</u>	<u>67,899</u>	<u>(4,425,039)</u>	<u>-</u>	<u>(4,425,039)</u>	<u>(3,936,167)</u>
BUSINESS-TYPE ACTIVITIES								
Sewer	2,618,219	2,891,038	-	-	-	272,819	272,819	(160,038)
Airport	1,603,456	1,225,643	83,676	-	-	(294,137)	(294,137)	(279,559)
Total business-type activities	<u>4,221,675</u>	<u>4,116,681</u>	<u>83,676</u>	<u>-</u>	<u>-</u>	<u>(21,318)</u>	<u>(21,318)</u>	<u>(439,597)</u>
Total primary government	<u>\$ 10,285,972</u>	<u>\$ 5,035,164</u>	<u>\$ 736,552</u>	<u>\$ 67,899</u>	<u>(4,425,039)</u>	<u>(21,318)</u>	<u>(4,446,357)</u>	<u>(4,375,764)</u>
GENERAL REVENUES								
Taxes								
Real estate taxes					1,381,503	-	1,381,503	1,391,069
Earned income taxes					2,886,050	-	2,886,050	2,831,779
Real estate transfer taxes					527,006	-	527,006	392,879
Local services taxes					241,355	-	241,355	230,330
Hydrant taxes					114,292	-	114,292	127,336
Amusement taxes					10,646	-	10,646	10,744
Franchise fees					206,814	-	206,814	215,112
Investment earnings					11,609	8,859	20,468	90,114
Gain on sale of capital assets					11,676	13,297,957	13,309,633	175
TRANSFERS					<u>29,742,930</u>	<u>(29,742,930)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>35,133,881</u>	<u>(16,436,114)</u>	<u>18,697,767</u>	<u>5,289,538</u>
CHANGE IN NET POSITION					30,708,842	(16,457,432)	14,251,410	913,774
NET POSITION								
Beginning of year					<u>21,830,662</u>	<u>35,543,082</u>	<u>57,373,744</u>	<u>56,459,970</u>
End of year					<u>\$ 52,539,504</u>	<u>\$ 19,085,650</u>	<u>\$ 71,625,154</u>	<u>\$ 57,373,744</u>

See accompanying notes

NEW GARDEN TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds					Totals	
	General Fund	Open Space Fund	Capital Fund	Debt Service Fund	Nonmajor Governmental Funds	2020	2019
ASSETS							
Cash	\$ 941,875	\$ 887,324	\$ 27,601,415	\$ 43,990	\$ 622,817	\$ 30,097,421	\$ 3,455,926
Restricted cash	1,853,425	-	-	-	-	1,853,425	437,978
Taxes receivable	241,505	15,688	-	-	29,439	286,632	239,866
Due from other governments	51,439	-	21,445	-	22,500	95,384	83,218
Accounts receivable	47,396	-	-	-	1,742	49,138	12,890
Due from other funds	2,418,457	-	-	1,254	-	2,419,711	2,330,070
Prepaid items	19,890	-	11,500	-	-	31,390	29,400
Inventories	73,368	-	-	-	-	73,368	79,804
Total assets	\$ 5,647,355	\$ 903,012	\$ 27,634,360	\$ 45,244	\$ 676,498	\$ 34,906,469	\$ 6,669,152
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 101,356	\$ -	\$ 84,118	\$ -	\$ 7,732	\$ 193,206	\$ 402,367
Accrued salaries and benefits	25,388	-	-	-	-	25,388	16,451
Due to other funds	-	-	1,429,804	-	680,044	2,109,848	2,109,848
Escrow deposits	1,853,425	-	-	-	-	1,853,425	437,978
Total liabilities	1,980,169	-	1,513,922	-	687,776	4,181,867	2,966,644
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - property taxes	64,173	-	-	-	26,831	91,004	78,259
FUND BALANCES (DEFICIT)							
Nonspendable							
Prepaid items	19,890	-	11,500	-	-	31,390	29,400
Inventories	73,368	-	-	-	-	73,368	79,804
Restricted for							
Debt service	-	-	-	45,244	-	45,244	125,169
Public works - roads	-	-	-	-	185,312	185,312	74,191
Committed to							
Fire hydrant service	-	-	-	-	327,638	327,638	312,337
Capital purchases	-	-	26,108,938	-	-	26,108,938	-
Open space	-	903,012	-	-	-	903,012	596,284
Unassigned (deficit)	3,509,755	-	-	-	(551,059)	2,958,696	2,407,064
Total fund balances (deficit)	3,603,013	903,012	26,120,438	45,244	(38,109)	30,633,598	3,624,249
Total liabilities, deferred inflows of resources and fund balances	\$ 5,647,355	\$ 903,012	\$ 27,634,360	\$ 45,244	\$ 676,498	\$ 34,906,469	\$ 6,669,152

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, 2020

TOTAL GOVERNMENTAL FUND BALANCES	\$ 30,633,598
 Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not a financial resource and, therefore, is not reported in the governmental funds balance sheet.	1,144,555
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	21,316,680
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.	91,004
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.	(603,666)
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>(42,667)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 52,539,504</u>

NEW GARDEN TOWNSHIP

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

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds					Totals	
	General Fund	Open Space Fund	Capital Fund	Debt Service Fund	Nonmajor Governmental Funds	2020	2019
REVENUES							
Taxes	\$ 4,601,723	\$ 429,484	\$ -	\$ -	\$ 116,900	\$ 5,148,107	\$ 4,976,110
Licenses and permits	216,869	-	-	-	-	216,869	228,841
Fines and forfeits	86,511	-	-	-	-	86,511	118,974
Interest, rent and royalties	222,704	1,394	1,184	198	1,480	226,960	194,402
Intergovernmental revenues	265,636	-	-	-	453,401	719,037	1,250,195
Charges for services	553,764	-	28,800	-	24,000	606,564	538,756
Contributions and donations	264	-	-	-	1,473	1,737	70,474
Total revenues	<u>5,947,471</u>	<u>430,878</u>	<u>29,984</u>	<u>198</u>	<u>597,254</u>	<u>7,005,785</u>	<u>7,377,752</u>
EXPENDITURES							
Current							
General government	1,168,905	-	16,610	220	-	1,185,735	1,349,467
Public safety	2,926,123	-	294,752	-	-	3,220,875	6,672,812
Public works - sanitation	4,599	-	-	-	-	4,599	7,848
Public works - highways and streets	627,233	-	337,276	-	320,107	1,284,616	1,227,275
Public works - other services	31,882	-	-	-	102,494	134,376	146,713
Culture and recreation	312,028	-	539	-	196,818	509,385	1,487,340
Community development	10,714	124,150	-	-	-	134,864	106,384
Debt service	-	-	-	3,297,412	-	3,297,412	750,737
Total expenditures	<u>5,081,484</u>	<u>124,150</u>	<u>649,177</u>	<u>3,297,632</u>	<u>619,419</u>	<u>9,771,862</u>	<u>11,748,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	<u>865,987</u>	<u>306,728</u>	<u>(619,193)</u>	<u>(3,297,434)</u>	<u>(22,165)</u>	<u>(2,766,077)</u>	<u>(4,370,824)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	11,676	-	-	-	-	11,676	175
Issuance of debt	-	-	-	-	-	-	2,950,000
Proceeds from extended term financing	-	-	-	-	-	-	31,444
Refund of prior year expenditure:	25,618	-	-	-	-	25,618	43,496
Refund of prior year receipts	(4,798)	-	-	-	-	(4,798)	(926)
Transfers in	-	-	30,479,430	3,217,509	-	33,696,939	934,000
Transfers out	(941,500)	-	(3,012,509)	-	-	(3,954,009)	(934,000)
Total other financing sources (uses)	<u>(909,004)</u>	<u>-</u>	<u>27,466,921</u>	<u>3,217,509</u>	<u>-</u>	<u>29,775,426</u>	<u>3,024,189</u>
NET CHANGE IN FUND BALANCES	<u>(43,017)</u>	<u>306,728</u>	<u>26,847,728</u>	<u>(79,925)</u>	<u>(22,165)</u>	<u>27,009,349</u>	<u>(1,346,635)</u>
FUND BALANCES (DEFICIT)							
Beginning of year	<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>
End of year	<u>\$ 3,603,013</u>	<u>\$ 903,012</u>	<u>\$ 26,120,438</u>	<u>\$ 45,244</u>	<u>\$ (38,109)</u>	<u>\$ 30,633,598</u>	<u>\$ 3,624,249</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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 27,009,349
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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	\$ 719,324	
Transfer of capital assets	(85,781)	
Depreciation expense	<u>(396,664)</u>	236,879

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, 2019	(78,259)	
Deferred inflows of resources December 31, 2020	<u>91,004</u>	12,745

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	3,172,438	
Transfer of capital lease payable	<u>64,245</u>	3,236,683

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	(20,501)	
Change in net pension liability and related deferred inflows and outflows	<u>233,687</u>	<u>213,186</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 30,708,842</u>
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See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash	\$ 3,249,806	\$ 86,239	\$ 34,858	\$ 3,370,903	\$ 3,174,290
Restricted cash	-	8,056	-	8,056	27,533
Accounts receivable	939,126	16,014	-	955,140	724,309
Due from other funds	-	-	-	-	53,562
Other current assets	-	-	-	-	203,622
Total current assets	4,188,932	110,309	34,858	4,334,099	4,183,316
NONCURRENT ASSETS					
Net pension asset	16,558	45,292	-	61,850	-
Capital assets, net	796	15,714,457	-	15,715,253	32,920,239
Total noncurrent assets	17,354	15,759,749	-	15,777,103	32,920,239
Total assets	4,206,286	15,870,058	34,858	20,111,202	37,103,555
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges - pensions	16,896	46,217	-	63,113	49,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of notes payable	-	63,720	-	63,720	235,346
Accounts payable	113,894	43,039	-	156,933	161,353
Accrued salaries and benefits	2,574	13,298	-	15,872	9,704
Due to other funds	11,877	297,986	-	309,863	273,784
Escrow deposits	-	8,056	-	8,056	27,533
Other current liabilities	-	16,230	-	16,230	210,791
Total current liabilities	128,345	442,329	-	570,674	918,511
NONCURRENT LIABILITIES					
Notes payable, net of current portion	-	377,437	-	377,437	616,250
Net pension liability	-	-	-	-	51,880
Compensated absences	2,662	24,799	-	27,461	11,357
Total noncurrent liabilities	2,662	402,236	-	404,898	679,487
Total liabilities	131,007	844,565	-	975,572	1,597,998
DEFERRED INFLOWS OF RESOURCES					
Deferred credits - pensions	30,276	82,817	-	113,093	11,745
NET POSITION					
Net investment in capital assets	796	15,273,300	-	15,274,096	32,068,643
Unrestricted (deficit)	4,061,103	(284,407)	34,858	3,811,554	3,474,439
Total net position	\$ 4,061,899	\$ 14,988,893	\$ 34,858	\$ 19,085,650	\$ 35,543,082

See accompanying notes

NEW GARDEN TOWNSHIP

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

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2020	2019
OPERATING REVENUES					
Charges for services	\$ 2,815,513	\$ 1,225,513	\$ -	\$ 4,041,026	\$ 3,534,372
Other	75,525	130	-	75,655	137,900
Total operating revenues	<u>2,891,038</u>	<u>1,225,643</u>	<u>-</u>	<u>4,116,681</u>	<u>3,672,272</u>
OPERATING EXPENSES					
Salaries and wages	68,329	350,875	-	419,204	305,561
Employee benefits	26,927	73,657	-	100,584	89,375
Administrative expenses	149,618	34,971	48	184,637	188,997
Insurance	17,396	17,376	-	34,772	35,760
Professional services	1,346,027	89,536	-	1,435,563	1,586,415
Repairs and maintenance	48,761	377,720	-	426,481	282,578
Supplies	35,202	246,912	-	282,114	290,666
Utilities	114,022	32,570	-	146,592	135,308
Wastewater treatment services	385,397	-	-	385,397	410,236
Depreciation	76,149	368,226	322,064	766,439	765,841
Total operating expenses	<u>2,267,828</u>	<u>1,591,843</u>	<u>322,112</u>	<u>4,181,783</u>	<u>4,090,737</u>
Operating income (loss)	<u>623,210</u>	<u>(366,200)</u>	<u>(322,112)</u>	<u>(65,102)</u>	<u>(418,465)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	8,399	339	121	8,859	40,988
Interest expense	-	(11,613)	(2,994)	(14,607)	(21,303)
Intergovernmental revenues	-	83,676	-	83,676	-
Refund of prior year expenses (receipts)	(25,285)	-	-	(25,285)	171
Gain on sale of capital assets	1,733,948	-	11,564,009	13,297,957	-
Total nonoperating revenues (expenses)	<u>1,717,062</u>	<u>72,402</u>	<u>11,561,136</u>	<u>13,350,600</u>	<u>19,856</u>
Income (loss) before capital contributions and transfers	<u>2,340,272</u>	<u>(293,798)</u>	<u>11,239,024</u>	<u>13,285,498</u>	<u>(398,609)</u>
Transfers in	-	-	344,994	344,994	168,268
Transfers out	(5,268,897)	-	(24,819,027)	(30,087,924)	(168,268)
CHANGE IN NET POSITION	<u>(2,928,625)</u>	<u>(293,798)</u>	<u>(13,235,009)</u>	<u>(16,457,432)</u>	<u>(398,609)</u>
NET POSITION					
Beginning of year	6,990,524	15,282,691	13,269,867	35,543,082	35,941,691
End of year	<u>\$ 4,061,899</u>	<u>\$ 14,988,893</u>	<u>\$ 34,858</u>	<u>\$ 19,085,650</u>	<u>\$ 35,543,082</u>

See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Totals	
	Sewer Fund	Airport Fund	Sewer Authority	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$ 2,650,921	\$ 1,241,031	\$ -	\$ 3,891,952	\$ 3,487,416
Payments to suppliers for goods and services	(2,086,649)	(813,279)	(48)	(2,899,976)	(3,025,671)
Payments to employees	(103,020)	(420,721)	-	(523,741)	(394,245)
Other receipts	68,268	130	-	68,398	148,547
Net cash provided by (used for) operating activities	529,520	7,161	(48)	536,633	216,047
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	-	83,676	-	83,676	-
Refund of prior year expenses	3,345	-	-	3,345	171
Transfers from other funds	-	-	170,000	170,000	170,000
Transfers to other funds	(5,093,903)	-	(24,819,027)	(29,912,930)	(170,000)
Net cash provided by (used for) noncapital financing activities	(5,090,558)	83,676	(24,649,027)	(29,655,909)	171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(10,854)	-	(10,854)	(116,792)
Proceeds from sale of capital assets	4,923,903	-	24,819,027	29,742,930	-
Proceeds from notes payable	-	-	-	-	-
Repayment of notes payable	-	(68,439)	(342,000)	(410,439)	(227,336)
Interest paid	-	(11,613)	(2,994)	(14,607)	(21,303)
Net cash provided by (used for) capital and related financing activities	4,923,903	(90,906)	24,474,033	29,307,030	(365,431)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	8,399	339	121	8,859	40,988
Net increase (decrease) in cash	371,264	270	(174,921)	196,613	(108,225)
CASH					
Beginning of year	2,878,542	85,969	209,779	3,174,290	3,282,515
Ending of year	\$ 3,249,806	\$ 86,239	\$ 34,858	\$ 3,370,903	\$ 3,174,290
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 623,210	\$ (366,200)	\$ (322,112)	\$ (65,102)	\$ (418,465)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	76,149	368,226	322,064	766,439	765,841
(Increase) decrease in					
Accounts receivable	(237,288)	6,457	-	(230,831)	(44,538)
Due from other funds	53,562	-	-	53,562	11,496
Net pension asset	(16,558)	(45,292)	-	(61,850)	-
Deferred outflows of resources - pensions	2,320	(16,163)	-	(13,843)	1,537
Increase (decrease) in					
Accounts payable	9,774	(14,194)	-	(4,420)	(95,711)
Accrued salaries and benefits	661	5,507	-	6,168	4,559
Due to other funds	11,877	-	-	11,877	-
Other current liabilities	-	9,061	-	9,061	(3,267)
Compensated absences	353	15,751	-	16,104	3,588
Net pension liability	(20,235)	(31,645)	-	(51,880)	33,714
Deferred inflows of resources - pensions	25,695	75,653	-	101,348	(42,707)
Net cash provided by (used for) operating activities	\$ 529,520	\$ 7,161	\$ (48)	\$ 536,633	\$ 216,047
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ -	\$ -	\$ -	\$ -	\$ (1,067)
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 1,067

See accompanying notes

NEW GARDEN TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2020 with summarized comparative totals for 2019

	<u>Pension Trust Funds</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Investments	<u>\$ -</u>	<u>\$ 2,659,516</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ -</u>	<u>\$ 2,659,516</u>

NEW GARDEN TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2020 with summarized comparative totals for 2019

	<u>Pension Trust Funds</u>	
	<u>2020</u>	<u>2019</u>
ADDITIONS		
Contributions		
Employer contributions	\$ -	\$ 112,926
Member contributions	-	42,933
Total contributions	<u>-</u>	<u>155,859</u>
Investment income		
Interest	-	126,986
Total additions	<u>-</u>	<u>282,845</u>
DEDUCTIONS		
Benefits paid	-	433,976
Administrative expenses	-	460
Other expenses	-	327
Total deductions	<u>-</u>	<u>434,763</u>
CHANGE IN NET POSITION	-	(151,918)
NET POSITION		
Beginning of year	-	2,811,434
End of year	<u>\$ -</u>	<u>\$ 2,659,516</u>

See accompanying notes

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(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 following component units are required to be included in the Township's reporting entity.

The New Garden Township Sewer Authority (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.

The Police Pension Plan and Nonuniform Pension Plan are single employer defined benefit pension plans that provide pension benefits for all regular full-time employees. Although the Police Pension Plan and the Nonuniform Pension Plan are separate legal entities, they are reported as if they are part of the Township as they are governed by a board comprised of members appointed by the Board of Supervisors or by the Board of Supervisors themselves and the Township is responsible for funding the Police Pension Plan and the Nonuniform Pension Plan. The activities of the Police Pension Plan and the Nonuniform Pension Plan are blended as fiduciary funds and do not issue separate financial statements.

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 2020 was \$2,141,830. In addition, the Department has entered into an agreement with the Township to lease a new building constructed by the Township for the use as the Regional Police Headquarters for \$1 per year that expires June, 2025. The SCCRPD prepares financial statements that are available to the public through the Township administrative offices.

Basis of Presentation

Government-Wide Financial Statements

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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

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

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

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

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

Revenue Recognition

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

Expenditure Recognition

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

Proprietary Funds

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

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

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

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. The Township has two trust funds, consisting of a Police Pension Fund and a Nonuniform Pension Fund.

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 2020 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 mills 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 2020 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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Accounts Receivable

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

Inventories and Prepaid Items

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

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

Unearned Revenues

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

Capital Assets

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

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

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

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

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township. No impairment losses were recognized in the year ended December 31, 2020.

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, 2020

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, 2019, from which the summarized information was derived.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective January 1, 2020, the Township adopted the provisions of GASB Statement No. 83 "*Certain Asset Retirement Obligations*", GASB Statement No. 84 "*Fiduciary Activities*", GASB Statement No. 88 "*Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*" and GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 83 addressed 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. GASB Statement No. 83 requires a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 had no impact on the financial statements of the Township for the year ended December 31, 2020.

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. 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. As a result of the implementation of GASB Statement No. 84 the Township reported the Police Pension Fund and the Nonuniform Pension Fund as component units.

GASB Statement No. 88's objective is to improve 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. The implementation of GASB Statement No. 88 had no impact on the financial statements of the Township for the year ended December 31, 2020.

GASB Statement No. 90's objective is to improve 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. The implementation of GASB Statement No. 90 had no impact on the financial statements of the Township for the year ended December 31, 2020.

New Accounting Pronouncements

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, 2020

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, 2020, the carrying amount of the Township's deposits was \$35,329,805 and the bank balance was \$35,619,500. Of the bank balance, \$254,714 was covered by federal depository insurance and \$35,153,226 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, 2020, PLGIT was rated AAA by a nationally recognized statistical rating agency.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(4) CAPITAL ASSETS

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

	Balance January 1, 2020	Additions	Deletions	Transferred Assets	Balance December 31, 2020
Governmental activities					
Capital assets not being depreciated					
Land	\$ 5,607,686	\$ 102,834	\$ -	\$ -	\$ 5,710,520
Construction in progress	5,888,773	464,042	6,352,815	-	-
Total capital assets not being depreciated	<u>11,496,459</u>	<u>566,876</u>	<u>6,352,815</u>	<u>-</u>	<u>5,710,520</u>
Capital assets being depreciated					
Buildings and improvements	4,783,758	4,934,253	-	-	9,718,011
Land improvements	1,028,050	1,418,562	-	-	2,446,612
Infrastructure	6,282,589	2,090	-	-	6,284,679
Machinery and equipment	1,035,507	28,638	-	-	1,064,145
Vehicles	976,157	121,720	-	110,855	987,022
Total capital assets being depreciated	<u>14,106,061</u>	<u>6,505,263</u>	<u>-</u>	<u>110,855</u>	<u>20,500,469</u>
Less accumulated depreciation for					
Buildings and improvements	(1,603,995)	(160,536)	-	-	(1,764,531)
Land improvements	(170,987)	(20,634)	-	-	(191,621)
Infrastructure	(1,538,559)	(117,619)	-	-	(1,656,178)
Machinery and equipment	(717,337)	(35,792)	-	-	(753,129)
Vehicles	(491,841)	(62,083)	-	(25,074)	(528,850)
Total accumulated depreciation	<u>(4,522,719)</u>	<u>(396,664)</u>	<u>-</u>	<u>(25,074)</u>	<u>(4,894,309)</u>
Total capital assets being depreciated, net	<u>9,583,342</u>	<u>6,108,599</u>	<u>-</u>	<u>85,781</u>	<u>15,606,160</u>
Governmental activities, net	<u>\$ 21,079,801</u>	<u>\$ 6,675,475</u>	<u>\$ 6,352,815</u>	<u>\$ 85,781</u>	<u>\$ 21,316,680</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 8,684,433	\$ -	\$ 5,963,177	\$ -	\$ 2,721,256
Construction in progress	2,617	-	-	-	2,617
Total capital assets not being depreciated	<u>8,687,050</u>	<u>-</u>	<u>5,963,177</u>	<u>-</u>	<u>2,723,873</u>
Capital assets being depreciated					
Buildings and improvements	11,089,193	31,565	8,484,686	-	2,636,072
Infrastructure	22,280,179	-	10,406,167	-	11,874,012
Pump stations	2,425,240	-	2,425,240	-	-
Machinery and equipment	452,098	3,491	367,802	-	87,787
Vehicles	89,335	-	-	-	89,335
Total capital assets being depreciated	<u>36,336,045</u>	<u>35,056</u>	<u>21,683,895</u>	<u>-</u>	<u>14,687,206</u>
Less accumulated depreciation for					
Buildings and improvements	(5,448,014)	(284,854)	(5,161,004)	-	(571,864)
Infrastructure	(5,295,569)	(415,675)	(4,741,633)	-	(969,611)
Pump stations	(1,004,474)	(51,672)	(1,056,146)	-	-
Machinery and equipment	(265,464)	(14,238)	(214,686)	-	(65,016)
Vehicles	(89,335)	-	-	-	(89,335)
Total accumulated depreciation	<u>(12,102,856)</u>	<u>(766,439)</u>	<u>(11,173,469)</u>	<u>-</u>	<u>(1,695,826)</u>
Total capital assets being depreciated, net	<u>24,233,189</u>	<u>(731,383)</u>	<u>10,510,426</u>	<u>-</u>	<u>12,991,380</u>
Business-type activities, net	<u>\$ 32,920,239</u>	<u>\$ (731,383)</u>	<u>\$ 16,473,603</u>	<u>\$ -</u>	<u>\$ 15,715,253</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

Governmental activities		
General government		\$ 74,238
Public safety		55,629
Public works		223,512
Culture and recreation		<u>43,285</u>
Total depreciation expense - governmental activities		<u>\$396,664</u>
Business-type activities		
Sewer		\$398,213
Airport		<u>368,226</u>
Total depreciation expense - business-type activities		<u>\$766,439</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

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

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 12,855	Sewer Fund	\$ 12,855
Sewer Fund	978	Airport Fund	978
General Fund	665,644	Nonmajor Governmental Fund	665,644
Capital Fund	14,400	Nonmajor Governmental Fund	14,400
General Fund	1,444,204	Capital Fund	1,444,204
Debt Service Fund	1,254	Airport Fund	1,254
General Fund	<u>295,754</u>	Airport Fund	<u>295,754</u>
	<u>\$2,435,089</u>		<u>\$2,435,089</u>

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

A summary of interfund transfers for the year ended December 31, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Fund	\$ 736,500	General Fund	\$ 736,500
Capital Fund	24,819,027	Sewer Authority Fund	24,819,027
Capital Fund	4,923,903	Sewer Fund	4,923,903
Sewer Authority Fund	344,994	Sewer Fund	344,994
Debt Service Fund	3,012,509	Capital Fund	3,012,509
Debt Service Fund	<u>205,000</u>	General Fund	<u>205,000</u>
	<u>\$34,041,933</u>		<u>\$34,041,933</u>

Transfers to the Capital Fund from the General Fund represent monies to subsidize costs associated with the acquisition of capital assets. Transfers to the Capital Fund from the Sewer Fund and Sewer Authority Fund represent proceeds from the sale of the sewerage system for future capital asset purchases. Transfers to the Debt Service Fund from the General Fund and Capital 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**).

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2020:

	<u>Balance January 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transferred Liabilities</u>	<u>Balance December 31, 2020</u>	<u>Amount Due Within One Year</u>
Governmental activities						
General obligation debt:						
Notes payable	\$3,172,438	\$ -	\$3,172,438	\$ -	\$ -	\$ -
Other noncurrent liabilities						
Compensated absences	22,166	20,501	-	-	42,667	-
Capital leases	64,245	-	-	64,245	-	-
Total other noncurrent liabilities	<u>86,411</u>	<u>20,501</u>	<u>-</u>	<u>64,245</u>	<u>42,667</u>	<u>-</u>
Total noncurrent liabilities governmental activities	<u>\$3,258,849</u>	<u>\$20,501</u>	<u>\$3,172,438</u>	<u>\$64,245</u>	<u>\$ 42,667</u>	<u>\$ -</u>

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

Business-type activities						
General obligation debt:						
Sewer revenue notes	\$ 342,000	\$ -	\$ 342,000	\$ -	\$ -	\$ -
PIB loan	509,596	-	68,439	-	441,157	63,720
Other noncurrent liabilities						
Compensated absences	11,357	16,104	-	-	27,461	-
Total noncurrent liabilities business-type activities	<u>\$ 862,953</u>	<u>\$16,104</u>	<u>\$ 410,439</u>	<u>\$ -</u>	<u>\$468,618</u>	<u>\$63,720</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, 2020 consisted of the following:

Governmental Activities

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

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 Series 2013 Note was paid in full at December 31, 2020.

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, 2020. 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 balance of \$3,000,000 was paid in full at December 31, 2020.

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 Series 2001 Note was paid in full at December 31, 2020.

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 \$441,157 at December 31, 2020.

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>
2021	\$ 63,720	\$ 6,141	\$ 69,861
2022	70,602	5,609	76,211
2023	71,758	4,453	76,211
2024	72,933	3,278	76,211
2025	74,127	2,084	76,211
2026-2027	<u>88,017</u>	<u>897</u>	<u>88,914</u>
	<u>\$441,157</u>	<u>\$22,462</u>	<u>\$463,619</u>

The annual debt service requirements of the variable rate debt reflect interest rates in effect as of December 31, 2020.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(7) EMPLOYEE RETIREMENT PLANS

Police Pension Fund

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

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2019:

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 2020 MMO and employee contributions totaled \$0.

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.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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%	7.4%	4.7%
Domestic Equities (Small Capitalized Firms)	15%	9.8%	7.1%
International Equities (International Developed Markets)	15%	5.5%	2.9%
International Equities (Emerging Markets)	10%	9.9%	7.6%
Real Estate	20%	8.4%	5.3%
Fixed Income	15%	2.2%	0.0%
Total Portfolio	100%	7.1%	4.5%

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, 2019.

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2019. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2019. The net pension asset is \$998,154 measured as the difference between the total pension liability of \$1,252,538 and the fiduciary net position of \$2,250,692.

As of December 31, 2019, the net pension asset of \$998,154 is a noncurrent asset related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

The Township's change in total pension liability (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2019 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of December 31, 2018	<u>\$1,266,239</u>	<u>\$1,935,566</u>	<u>\$(669,327)</u>
Changes for the year:			
Interest on total pension liability	64,452	-	64,452
Employer contributions	-	(120)	120
Contributions – PMRS assessment	-	120	(120)
PMRS investment income	-	107,091	(107,091)
Market value investment income	-	290,010	(290,010)
Benefit payments	(78,153)	(78,153)	-
PMRS administrative expense	-	(120)	120
Additional administrative expense	-	(3,702)	3,702
Net changes	<u>(13,701)</u>	<u>315,126</u>	<u>(328,827)</u>
Balances as of December 31, 2019	<u>\$1,252,538</u>	<u>\$2,250,692</u>	<u>\$(998,154)</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>\$(839,583)</u>	<u>\$(998,154)</u>	<u>\$(1,129,207)</u>

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

For the year ended December 31, 2020, the Township recognized negative net pension expense of \$144,406. At December 31, 2020, 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	\$35,641	\$240,816
Changes in assumptions	56,576	78,079
Net difference between projected and actual earnings on pension plan investments	-	258,681
	<u>\$92,217</u>	<u>\$577,576</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, 2020

Year ended December 31,

2020	\$(143,416)
2021	(127,542)
2022	(65,845)
2023	(115,260)
2024	<u>(33,296)</u>
	<u>\$(485,359)</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, 2019:

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, 2020

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 2020 MMO contribution totaled \$115,195 and employee contributions totaled \$50,442.

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%	7.4%	4.7%
Domestic Equities (Small Capitalized Firms)	15%	9.8%	7.1%
International Equities (International Developed Markets)	15%	5.5%	2.9%
International Equities (Emerging Markets)	10%	9.9%	7.6%
Real Estate	20%	8.4%	5.3%
Fixed Income	15%	2.2%	0.0%
Total Portfolio	100%	7.1%	4.5%

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2019.

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2019. The total pension liability was determined by an actuarial valuation as of January 1, 2019 with liabilities measured at December 31, 2019. The net pension asset is \$208,251, measured as the difference between the total pension liability of \$3,316,395 and the fiduciary net position of \$3,524,646.

As of December 31, 2020, \$146,401 of the net pension asset is related to the governmental funds and is only recorded in the government-wide statement of net position. The remaining \$61,850 of the net pension asset is recorded as an asset in the Sewer Fund for \$16,558 and in the Airport Fund for \$45,292 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 (asset) for the year ended December 31, 2019 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of December 31, 2018	<u>\$3,191,041</u>	<u>\$2,918,001</u>	<u>\$ 273,040</u>
Changes for the year:			
Service cost	95,641	-	95,641
Interest on total pension liability	168,943	-	168,943
Employer contributions	-	113,254	(113,254)
Contributions – PMRS assessment	-	460	(460)
Member contributions	-	46,045	(46,045)
PMRS investment income	-	151,650	(151,650)
Market value investment income	-	440,168	(440,168)
Benefit payments	(139,230)	(139,230)	-
PMRS administrative expense	-	(460)	460
Additional administrative expense	-	(5,242)	5,242
Net changes	<u>125,354</u>	<u>606,645</u>	<u>(481,291)</u>
Balances as of December 31, 2019	<u>\$3,316,395</u>	<u>\$3,524,646</u>	<u>\$(208,151)</u>

Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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>\$186,148</u>	<u>\$(208,251)</u>	<u>\$(543,315)</u>

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

For the year ended December 31, 2020, the Township recognized negative net pension expense of \$231. At December 31, 2020, 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	\$ 56,764	\$ 37,409
Changes in assumptions	40,550	11,828
Net difference between projected and actual earnings on pension plan investments	-	331,559
Contributions subsequent to the measurement date	<u>115,195</u>	<u>-</u>
	<u>\$212,509</u>	<u>\$380,796</u>

An amount of \$115,195 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, 2021. 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,

2020	\$ (99,349)
2021	(85,900)
2022	(21,098)
2023	(70,419)
2024	<u>(6,716)</u>
	<u>\$(283,482)</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 \$385,397 for the year ended December 31, 2020.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Government Grants and Awards

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

Litigation

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

(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 2020. 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. On December 21, 2020, the Township and Aqua settled on the Asset Purchase Agreement to purchase the sewerage system in the amount of \$29,500,000.

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2021, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in the financial statements.

NEW GARDEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

The Township approved Ordinance No. 247 on February 16, 2021, effective February 21, 2021, which terminated the existence of the New Garden Township Sewer Authority under the Municipality Authorities Act. The remaining cash was transferred from the Authority to the Township on February 17, 2021 and the account was subsequently closed.

REQUIRED SUPPLEMENTARY INFORMATION

NEW GARDEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2020

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUES			
Taxes			
Real estate taxes	\$ 1,380,400	\$ 1,366,150	\$ (14,250)
Real estate transfer taxes	382,000	527,006	145,006
Earned income taxes	2,400,000	2,456,566	56,566
Local services taxes	260,900	241,355	(19,545)
Amusement taxes	12,000	10,646	(1,354)
Total taxes	4,435,300	4,601,723	166,423
Licenses and permits	222,900	216,869	(6,031)
Fines and forfeits	83,600	86,511	2,911
Interest, rents and royalties	153,200	222,704	69,504
Intergovernmental revenues	153,300	265,636	112,336
Charges for services	498,900	553,764	54,864
Contributions and donations	1,500	264	(1,236)
Total revenues	5,548,700	5,947,471	398,771
EXPENDITURES			
Current			
General government			
Legislative	39,700	38,478	1,222
Executive	151,000	160,995	(9,995)
Auditing services/financial administration	182,500	177,667	4,833
Tax collection	8,900	8,079	821
Solicitor/legal services	180,000	121,544	58,456
Secretary/clerk	92,900	91,319	1,581
Other general government administration	240,580	202,004	38,576
Engineering services	370,000	270,614	99,386
General government buildings and plants	110,570	98,205	12,365
Total general government	1,376,150	1,168,905	207,245
Public safety			
Police	2,188,630	2,168,338	20,292
Fire	322,600	309,665	12,935
Ambulance/rescue	197,400	247,334	(49,934)
UCC and code enforcement	201,500	188,416	13,084
Planning and zoning	73,000	12,370	60,630
Emergency management and communication	500	-	500
Total public safety	2,983,630	2,926,123	57,507
Public works - sanitation			
Recycling collection and disposal	6,500	1,000	5,500
Solid waste collection and disposal	6,500	3,599	2,901
Total public works - sanitation	13,000	4,599	8,401

Continued on next page

NEW GARDEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2020

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
Public works - highways and streets			
General services - administration	591,400	517,263	74,137
Cleaning of streets and gutters	15,000	4,055	10,945
Winter maintenance - snow removal	50,000	29,768	20,232
Traffic control devices	27,000	13,608	13,392
Street lighting	8,500	17,437	(8,937)
Storm sewers and drains	36,000	30,857	5,143
Maintenance and repairs of roads and bridges	38,000	14,245	23,755
Total public works - highways and streets	765,900	627,233	138,667
Public works - other services			
Airport	14,000	13,806	194
Storm water and flood control	25,000	18,076	6,924
Total public works - other services	39,000	31,882	7,118
Culture and recreation			
Culture and recreation - administration	31,950	6,492	25,458
Participant recreation	27,200	49,740	(22,540)
Parks	200,560	171,796	28,764
Libraries	81,000	81,000	-
Senior citizens' centers	3,000	3,000	-
All other culture and recreation	2,000	-	2,000
Total culture and recreation	345,710	312,028	33,682
Community development			
Conservation of natural resources	8,500	10,714	(2,214)
Total community development	8,500	10,714	(2,214)
Total expenditures	5,531,890	5,081,484	450,406
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,810	865,987	849,177
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	2,000	11,676	9,676
Refund of prior year expenditures	15,000	25,618	10,618
Refund of prior year receipts	(10,000)	(4,798)	5,202
Transfers out	(929,500)	(941,500)	(12,000)
Total other financing sources (uses)	(922,500)	(909,004)	13,496
NET CHANGE IN FUND BALANCE	\$ (905,690)	(43,017)	\$ 862,673
FUND BALANCE			
Beginning of year		3,646,030	
End of year		\$ 3,603,013	

NEW GARDEN TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

Year ended December 31

	2019		2018	
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
TOTAL PENSION LIABILITY				
Service cost	\$ -	\$ 95,641	\$ -	\$ 96,724
Interest on total pension liability	64,452	168,943	76,762	164,663
Differences between expected and actual experience	-	-	(233,078)	(47,000)
Changes of assumptions	-	-	-	-
Transfers	-	-	-	-
Benefit payments, including refunds of member contributions	(78,153)	(139,230)	(78,153)	(124,529)
Net change in total pension liability	(13,701)	125,354	(234,469)	89,858
Total pension liability, beginning	1,266,239	3,191,041	1,500,708	3,101,183
Total pension liability, ending	<u>\$ 1,252,538</u>	<u>\$ 3,316,395</u>	<u>\$ 1,266,239</u>	<u>\$ 3,191,041</u>
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ (120)	\$ 113,714	\$ 61,578	\$ 119,178
Member contributions	120	46,045	-	42,374
PMRS investment income	107,091	151,650	99,937	147,951
Market value investment income	290,010	440,168	(187,665)	(266,329)
Transfers	-	-	-	-
Benefit payments	(78,153)	(139,230)	(78,153)	(124,529)
PMRS administrative expense	(120)	(460)	(240)	(420)
Additional administrative expense	(3,702)	(5,242)	(4,460)	(6,602)
Net change in plan fiduciary net position	315,126	606,645	(109,003)	(88,377)
Fiduciary net position, beginning	1,935,566	2,918,001	2,044,569	3,006,378
Fiduciary net position, ending	<u>\$ 2,250,692</u>	<u>\$ 3,524,646</u>	<u>\$ 1,935,566</u>	<u>\$ 2,918,001</u>
Net pension liability (asset), ending	<u>\$ (998,154)</u>	<u>\$ (208,251)</u>	<u>\$ (669,327)</u>	<u>\$ 273,040</u>
Fiduciary net position as a % of total pension liability	179.69%	106.28%	152.86%	91.44%
Covered payroll	-	831,677	-	820,497
Net pension liability (asset) as a % of covered payroll	N/A	-25.04%	N/A	33.28%

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.

Measurement Date							
2017		2016		2015		2014	
Police Pension Fund	Nonuniform Pension Fund						
\$ 4,861	\$ 93,894	\$ 136,736	\$ 85,480	\$ 168,226	\$ 84,795	\$ 152,449	\$ 108,897
134,337	158,820	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)	-	-
(2,241,714)	(38,948)	-	-	(107,807)	54,333	-	-
<u>(113,038)</u>	<u>(124,529)</u>	<u>(78,153)</u>	<u>(117,837)</u>	<u>(78,153)</u>	<u>(149,056)</u>	<u>(78,153)</u>	<u>(124,773)</u>
(2,215,554)	89,237	221,298	312,260	2,184	103,422	359,801	108,231
<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>	<u>3,132,979</u>	<u>2,488,033</u>
<u>\$ 1,500,708</u>	<u>\$ 3,101,183</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>
\$ 418,043	\$ 116,841	\$ 158,276	\$ 116,296	\$ 160,770	\$ 113,535	\$ 143,425	\$ 108,552
1,619	40,758	49,233	37,695	48,259	36,307	43,910	35,648
90,946	138,509	190,199	137,335	177,230	127,773	163,319	113,091
308,487	314,421	79,388	67,269	(189,141)	(132,632)	(7,612)	89,696
(2,241,714)	(38,948)	-	-	(107,807)	54,333	-	-
(113,038)	(124,529)	(78,153)	(117,837)	(78,153)	(149,056)	(78,153)	(124,773)
(320)	(380)	(300)	(360)	(340)	(400)	(300)	(380)
<u>(4,183)</u>	<u>(6,370)</u>	<u>(9,318)</u>	<u>(6,728)</u>	<u>(7,388)</u>	<u>(5,327)</u>	<u>(6,263)</u>	<u>(4,337)</u>
(1,540,160)	440,302	389,325	233,670	3,430	44,533	258,326	217,497
<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>2,933,648</u>	<u>2,070,376</u>
<u>\$ 2,044,569</u>	<u>\$ 3,006,378</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>\$ (543,861)</u>	<u>\$ 94,805</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>
136.24%	96.94%	96.46%	85.20%	91.43%	86.40%	91.39%	88.12%
32,378	796,492	984,667	753,893	965,185	726,136	871,359	900,589
-1679.72%	11.90%	13.36%	59.14%	31.04%	50.58%	34.52%	34.24%

NEW GARDEN TOWNSHIP

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Year ended December 31, 2020

Police Pension Fund

Measurement Date December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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	61,578	61,578	-	-	0.00%
2019	-	-	-	-	0.00%
2020	-	-	-	-	0.00%

Nonuniform Pension Fund

Measurement Date December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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	113,633	113,714	(81)	831,677	13.67%
2020	115,195	115,195	-	838,758	13.73%

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, 2020

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Hydrant Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Recreation Fund</u>	
ASSETS				
Cash	\$ 331,020	\$185,312	\$ 106,485	\$ 622,817
Taxes receivable	29,439	-	-	29,439
Due from other governments	-	-	22,500	22,500
Accounts receivable	1,742	-	-	1,742
Total assets	<u>\$ 362,201</u>	<u>\$185,312</u>	<u>\$ 128,985</u>	<u>\$ 676,498</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,732	\$ -	\$ -	\$ 7,732
Due to other funds	-	-	680,044	680,044
Total liabilities	<u>7,732</u>	<u>-</u>	<u>680,044</u>	<u>687,776</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	26,831	-	-	26,831
FUND BALANCES (DEFICIT)				
Restricted for				
Public works - roads	-	185,312	-	185,312
Committed to				
Fire hydrant service	327,638	-	-	327,638
Unassigned	-	-	(551,059)	(551,059)
Total fund balances (deficit)	<u>327,638</u>	<u>185,312</u>	<u>(551,059)</u>	<u>(38,109)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 362,201</u>	<u>\$185,312</u>	<u>\$ 128,985</u>	<u>\$ 676,498</u>

NEW GARDEN TOWNSHIP

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

Year ended December 31, 2020

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Hydrant Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Recreation Fund</u>	
REVENUES				
Taxes	\$ 116,900	\$ -	\$ -	\$ 116,900
Interest, rents and royalties	895	327	258	1,480
Intergovernmental revenues	-	430,901	22,500	453,401
Charges for services	-	-	24,000	24,000
Contributions and donations	-	-	1,473	1,473
Total revenues	<u>117,795</u>	<u>431,228</u>	<u>48,231</u>	<u>597,254</u>
EXPENDITURES				
Current				
Public works - highways and streets	-	320,107	-	320,107
Public works - other services	102,494	-	-	102,494
Culture and recreation	-	-	196,818	196,818
Total expenditures	<u>102,494</u>	<u>320,107</u>	<u>196,818</u>	<u>619,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,301	111,121	(148,587)	(22,165)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
NET CHANGE IN FUND BALANCES	15,301	111,121	(148,587)	(22,165)
FUND BALANCES (DEFICIT)				
Beginning of year	<u>312,337</u>	<u>74,191</u>	<u>(402,472)</u>	<u>(15,944)</u>
End of year	<u>\$ 327,638</u>	<u>\$ 185,312</u>	<u>\$ (551,059)</u>	<u>\$ (38,109)</u>

NEW GARDEN TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2020

	Police Pension Fund	Non- Uniform Pension Fund	Total
ASSETS			
Investments	\$ -	\$ -	\$ -
NET POSITION			
Assets held in trust for pension benefits	\$ -	\$ -	\$ -

NEW GARDEN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2020

	<u>Police Pension Fund</u>	<u>Non- Uniform Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer contributions	\$ -	\$ -	\$ -
Member contributions	-	-	-
Total contributions	<u>-</u>	<u>-</u>	<u>-</u>
Investment income			
Interest	-	-	-
Total additions	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCTIONS			
Benefits and refunds paid	-	-	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	-	-	-
NET POSITION			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**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, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated October 4, 2021.

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****October 4, 2021**