

**NEW HANOVER TOWNSHIP**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2019*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

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YEAR ENDED DECEMBER 31, 2019

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Supervisors  
New Hanover Township  
Gilbertsville, Pennsylvania

### ***Report on the Financial Statements***

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 Hanover Township (the Township), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise New Hanover 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinion.

### ***Basis for Adverse Opinion***

As discussed in Note B to the financial statements, the Township has not recorded capital assets related to governmental activities and depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated. The amount by which this departure would affect assets, net position, and changes in fund balance/net position is not reasonably determinable.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the statement of net position, and statement of activities do not present fairly the financial position of the governmental activities of the Township as of December 31, 2019, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors  
New Hanover Township  
Gilbertsville, Pennsylvania

***Unmodified Opinions***

In our opinion, the balance sheet - governmental funds, statement of revenues, expenditures, and changes in fund balances - governmental funds, statement of net position - proprietary funds, statement of revenues, expenses and changes in net position - proprietary funds, statement of cash flows - proprietary funds, statement of net position - fiduciary funds, and statement of changes in net position - fiduciary funds present fairly, in all material respects, the respective financial position of New Hanover Township, as of December 31, 2019, 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.

***Emphasis of Matter***

For the year ended December 31, 2019, New Hanover Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note M to the financial statements, subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has resulted in economic uncertainties which have the potential to have a significant impact on all Township operations. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 5(v) and the required supplementary information on pages 46 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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



Oaks, Pennsylvania  
June 1, 2020

# NEW HANOVER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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The discussion and analysis contained herein of New Hanover Township's financial performance provides an overview of the Township's financial activities for the fiscal year ending December 31, 2019. This information needs to be read in conjunction with the Township's financial statements.

### FINANCIAL HIGHLIGHTS

The Township's net position decreased by \$510,604 as a result of this year's operations. Net position of our governmental activities increased by \$526,104 and the net position of our business-type activities decreased by \$15,500.

In 2019, Sewer Fund operating revenues decreased by 2.7% and expenses were 5.3% lower than the previous year.

The General Fund reported a fund balance of \$3,738,361 this year compared to a fund balance of \$3,449,528 last year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Township. The components of the report include an independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position. The management's discussion and analysis (MD&A), prepared by the Township's management, provides a narrative introduction and overview that users of the financial statements need in order to interpret the basic financial statements. The MD&A also provides an analysis of key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

- The *statement of net position* focuses on resources available for future operations. This statement presents a view of the assets the Township owns, the liabilities it owes and the net difference.
- The *statement of activities* focuses on gross and net costs of Township programs and the extent to which programs rely on taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.



## NEW HANOVER TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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- *Fund financial statements* focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are represented in their own columns, and the remaining funds are combined into a column titled "Nonmajor Governmental Funds." Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Fund represents the Sewer Fund and can be found in more detail beginning with the statement of net position, Proprietary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside of the government, i.e., Employee Pension Funds. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

Other required supplementary information consisting of budgetary comparisons of the General Fund and pension plan funding progress is provided.

Other supplementary information consisting of the balance sheet and statement of revenues, expenditures and changes in fund balances for Nonmajor Governmental Funds and Fiduciary Funds is also provided.

### REPORTING THE TOWNSHIP AS A WHOLE

The analysis of the Township as a whole begins with the statement of net position.

Is the Township as a whole better off or worse off as a result of the year's activities? The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps to answer this question. We divide the Township into two kinds of activities:

- **Governmental Activities:** These are the Township's basic services and are reported in this category. They include general administration, police, public works, code enforcement and parks and recreation. Real estate and EIT taxes, fees and charges and grants finance most of these activities.
- **Proprietary Activities:** This category includes services provided through the Sewer Fund. These activities are funded via user charges. The Sewer Fund is comprised of revenues and expenditures that relate to the sewer operations operated by the Township.

**NEW HANOVER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

The following tables reflect the condensed statements of net position.

**Table 1**  
**Condensed Statement of Net Position**

|                                       | Governmental<br>Activities |                     | Business-Type<br>Activities |                      | Totals               |                      |
|---------------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
|                                       | 2019                       | 2018                | 2019                        | 2018                 | 2019                 | 2018                 |
| <b>ASSETS</b>                         |                            |                     |                             |                      |                      |                      |
| Current and other assets              | \$ 9,113,543               | \$ 8,690,939        | \$ 3,965,269                | \$ 3,778,406         | \$ 13,078,812        | \$ 12,469,345        |
| Net pension asset                     | 527,823                    | 106,031             | 289,241                     | 58,104               | 817,064              | 164,135              |
| Capital assets                        | -                          | -                   | 36,432,869                  | 37,197,872           | 36,432,869           | 37,197,872           |
| <b>TOTAL ASSETS</b>                   | <b>9,641,366</b>           | <b>8,796,970</b>    | <b>40,687,379</b>           | <b>41,034,382</b>    | <b>50,328,745</b>    | <b>49,831,352</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                     |                             |                      |                      |                      |
|                                       | 262,616                    | 384,648             | -                           | 87,466               | 262,616              | 472,114              |
| <b>LIABILITIES</b>                    |                            |                     |                             |                      |                      |                      |
| Other liabilities                     | 364,110                    | 160,424             | 76,294                      | 76,212               | 440,404              | 236,636              |
| Long-term liabilities                 | 448,618                    | 762,944             | 5,377,398                   | 5,891,223            | 5,826,016            | 6,654,167            |
| <b>TOTAL LIABILITIES</b>              | <b>812,728</b>             | <b>923,368</b>      | <b>5,453,692</b>            | <b>5,967,435</b>     | <b>6,266,420</b>     | <b>6,890,803</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                     |                             |                      |                      |                      |
|                                       | 306,900                    | -                   | 94,774                      | -                    | 401,674              | -                    |
| <b>NET POSITION (DEFICIT)</b>         |                            |                     |                             |                      |                      |                      |
| Net investment in capital assets      | (277,385)                  | (472,729)           | 31,061,869                  | 31,315,872           | 30,784,484           | 30,843,143           |
| Restricted                            | 3,074,312                  | 4,254,143           | -                           | -                    | 3,074,312            | 4,254,143            |
| Unrestricted                          | 5,987,427                  | 4,476,836           | 4,077,044                   | 3,838,541            | 10,064,471           | 8,315,377            |
| <b>TOTAL NET POSITION</b>             | <b>\$ 8,784,354</b>        | <b>\$ 8,258,250</b> | <b>\$ 35,138,913</b>        | <b>\$ 35,154,413</b> | <b>\$ 43,923,267</b> | <b>\$ 43,412,663</b> |

For more detailed information, see the statement of net position on page 13 of the annual financial report.

**NEW HANOVER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**Statement of Activities**

The following tables reflect the revenues and expenses for the current period.

**Table 2**  
**Changes in Net Position**

|                                     | Governmental Activities |                     | Business-Type Activities |                      | Totals               |                      |
|-------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                                     | 2019                    | 2018                | 2019                     | 2018                 | 2019                 | 2018                 |
| <b>REVENUES</b>                     |                         |                     |                          |                      |                      |                      |
| Program revenues                    |                         |                     |                          |                      |                      |                      |
| Charges for services                | \$ 672,098              | \$ 664,111          | \$ 2,133,379             | \$ 2,191,479         | \$ 2,805,477         | \$ 2,855,590         |
| Operating grants and contributions  | 943,855                 | 742,542             | 35,843                   | 29,708               | 979,698              | 772,250              |
| General revenues                    |                         |                     |                          |                      |                      |                      |
| Taxes                               |                         |                     |                          |                      |                      |                      |
| Real estate                         | 1,155,058               | 1,209,791           | -                        | -                    | 1,155,058            | 1,209,791            |
| Real estate transfer                | 549,122                 | 423,252             | -                        | -                    | 549,122              | 423,252              |
| Per capita                          | 39,392                  | 36,489              | -                        | -                    | 39,392               | 36,489               |
| Earned income                       | 2,872,708               | 2,731,652           | -                        | -                    | 2,872,708            | 2,731,652            |
| Local services                      | 11,648                  | 11,367              | -                        | -                    | 11,648               | 11,367               |
| Interest income                     | 189,072                 | 121,184             | 71,123                   | 39,554               | 260,195              | 160,738              |
| Proceeds from sale of assets        | 23,075                  | 32,165              | -                        | 7,350                | 23,075               | 39,515               |
| Miscellaneous                       | 39,891                  | 269,068             | -                        | -                    | 39,891               | 269,068              |
| <b>TOTAL REVENUES</b>               | <b>6,495,919</b>        | <b>6,241,621</b>    | <b>2,240,345</b>         | <b>2,268,091</b>     | <b>8,736,264</b>     | <b>8,509,712</b>     |
| <b>EXPENDITURES</b>                 |                         |                     |                          |                      |                      |                      |
| General government                  | 1,250,211               | 824,022             | -                        | -                    | 1,250,211            | 824,022              |
| Public safety - police              | 1,760,978               | 1,711,286           | -                        | -                    | 1,760,978            | 1,711,286            |
| Public safety - fire                | 323,225                 | 322,477             | -                        | -                    | 323,225              | 322,477              |
| Public safety - other               | 269,321                 | 334,885             | -                        | -                    | 269,321              | 334,885              |
| Public works - highways and streets | 1,399,488               | 1,935,321           | -                        | -                    | 1,399,488            | 1,935,321            |
| Culture and recreation              | 203,676                 | 221,874             | -                        | -                    | 203,676              | 221,874              |
| Community development               | 715,319                 | 27,981              | -                        | -                    | 715,319              | 27,981               |
| Debt service                        | 11,433                  | 3,180               | -                        | -                    | 11,433               | 3,180                |
| Insurance                           | 28,292                  | 16,998              | -                        | -                    | 28,292               | 16,998               |
| Sewer                               | -                       | -                   | 2,255,845                | 2,386,578            | 2,255,845            | 2,386,578            |
| Miscellaneous                       | 7,872                   | 760                 | -                        | -                    | 7,872                | 760                  |
| <b>TOTAL EXPENDITURES</b>           | <b>5,969,815</b>        | <b>5,398,784</b>    | <b>2,255,845</b>         | <b>2,386,578</b>     | <b>8,225,660</b>     | <b>7,785,362</b>     |
| <b>CHANGE IN NET POSITION</b>       | <b>526,104</b>          | <b>842,837</b>      | <b>(15,500)</b>          | <b>(118,487)</b>     | <b>510,604</b>       | <b>724,350</b>       |
| NET POSITION AT BEGINNING OF YEAR   | 8,258,250               | 7,415,413           | 35,154,413               | 35,272,900           | 43,412,663           | 42,688,313           |
| <b>NET POSITION AT END OF YEAR</b>  | <b>\$ 8,784,354</b>     | <b>\$ 8,258,250</b> | <b>\$ 35,138,913</b>     | <b>\$ 35,154,413</b> | <b>\$ 43,923,267</b> | <b>\$ 43,412,663</b> |

For more detailed information, see the statement of activities on page 14 of the annual financial report.

# NEW HANOVER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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## GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary adjustments and supplemental appropriations in 2019 were not material. Transfers and/or adjustments to the budget are made as a result of unanticipated expenditures and/or revenues.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

New Hanover Township's investment in capital assets for its proprietary activities as of December 31, 2019, totals \$36,432,869. The Township's investment in capital assets includes the sewer system and treatment plant, vehicles and equipment. The Township does not report its capital assets for its governmental activities.

**Figure A-1**  
**Capital Assets (Net of Depreciation, in Thousands of Dollars)**

|                            | <u>Business-Type</u>    |
|----------------------------|-------------------------|
| Land                       | \$ 2,743                |
| Sanitary sewer system      | 15,162                  |
| Wastewater treatment plant | 18,374                  |
| Vehicles                   | 23                      |
| Machinery and equipment    | <u>131</u>              |
| TOTAL                      | \$ <u><u>36,433</u></u> |

Property, plant, system infrastructure and equipment of the Township are depreciated using the straight-line method.

Additional information on the Township's capital assets can be found in Notes B and E to the financial statements.

### Debt

At year-end 2019, the Township had \$5,718,766 (see Figure A-2) in outstanding debt. The debt service due within one year is \$721,231 which is a combination from Note H, Total Governmental Activities \$201,231 and Total Business Activities \$520,000.

**Figure A-2**  
**Outstanding Long-Term Debt**

|                      |                            |
|----------------------|----------------------------|
| Notes payable        | \$ <u><u>5,648,385</u></u> |
| Compensated absences | \$ <u><u>70,381</u></u>    |

# **NEW HANOVER TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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## **ECONOMIC FACTORS IMPACTING FUTURE BUDGETS**

The Township's finances are extremely stable. This is the fifteenth year in a row that taxes have not been raised (while reducing them five percent in 2019), which puts us in a unique – and welcomed – position for a municipality in Montgomery County. Further, the Government Finance Officers Association (GFOA) recommends a municipality to have between 8% and 12% in fund balance reserves. At the end of 2020, the General Fund will have approximately 45% in fund balance reserves even after accounting for large transfers to the Capital Fund over the past two years.

The Township will realize an increase in its financial stability for at least a few more years as current development is built out and new development is considered. Regardless of additional development though, real estate taxes will continue to grow along with earned income tax, adding to a positive fund balance long-term and helping to negate eventual decreases in permit revenue and real estate transfer taxes. Also, with dedicated funding for capital appropriations and a 10-year capital improvement plan to identify future capital needs, the Township is positioned to strategically plan future budgets and adjust appropriations to match available resources.

The effects of the current COVID-19 pandemic may put a strain on future revenues, but the extent is currently unknown. However, the Township has a strong fund balance, diverse revenue sources, and appropriate staffing levels to adapt to the situation and maintain budget stability.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. Questions about this report or requests for additional financial information can be directed to the Finance Department of New Hanover Township, 2943 North Charlotte Street, Gilbertsville, PA 19525-9718.

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

|                                       | Governmental<br>Activities | Business-Type<br>Activities | Totals               |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                         |                            |                             |                      |
| Cash                                  | \$ 7,734,321               | \$ 3,622,217                | \$ 11,356,538        |
| Investments                           | 200,000                    | -                           | 200,000              |
| Accounts receivable                   | 58,705                     | 341,682                     | 400,387              |
| Taxes receivable                      | 946,070                    | -                           | 946,070              |
| Intergovernmental receivable          | 19,351                     | -                           | 19,351               |
| Due from developers                   | 93,770                     | -                           | 93,770               |
| Prepays                               | 61,326                     | 1,370                       | 62,696               |
| Net pension asset                     | 527,823                    | 289,241                     | 817,064              |
| Capital assets                        |                            |                             |                      |
| Land                                  | -                          | 2,743,421                   | 2,743,421            |
| Sanitary sewer system                 | -                          | 20,962,774                  | 20,962,774           |
| Wastewater treatment plant            | -                          | 25,431,803                  | 25,431,803           |
| Vehicles                              | -                          | 95,451                      | 95,451               |
| Equipment                             | -                          | 340,497                     | 340,497              |
| Accumulated depreciation              | -                          | (13,141,077)                | (13,141,077)         |
| TOTAL ASSETS                          | <u>9,641,366</u>           | <u>40,687,379</u>           | <u>50,328,745</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                             |                      |
| Pension                               | <u>262,616</u>             | <u>-</u>                    | <u>262,616</u>       |
| <b>LIABILITIES</b>                    |                            |                             |                      |
| Accounts payable                      | 278,113                    | 38,715                      | 316,828              |
| Accrued salaries                      | 85,308                     | 15,351                      | 100,659              |
| Accrued interest payable              | 689                        | 22,228                      | 22,917               |
| Long-term liabilities                 |                            |                             |                      |
| Notes payable, current portion        | 201,231                    | 520,000                     | 721,231              |
| Notes payable, long-term portion      | 76,154                     | 4,851,000                   | 4,927,154            |
| Compensated absences payable          | 107,250                    | 6,398                       | 113,648              |
| Net pension liability                 | 63,983                     | -                           | 63,983               |
| TOTAL LIABILITIES                     | <u>812,728</u>             | <u>5,453,692</u>            | <u>6,266,420</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                             |                      |
| Pension                               | <u>306,900</u>             | <u>94,774</u>               | <u>401,674</u>       |
| <b>NET POSITION</b>                   |                            |                             |                      |
| Net investment in capital assets      | (277,385)                  | 31,061,869                  | 30,784,484           |
| Restricted                            | 3,074,312                  | -                           | 3,074,312            |
| Unrestricted                          | <u>5,987,427</u>           | <u>4,077,044</u>            | <u>10,064,471</u>    |
| TOTAL NET POSITION                    | <u>\$ 8,784,354</u>        | <u>\$ 35,138,913</u>        | <u>\$ 43,923,267</u> |

See accompanying notes to the basic financial statements.

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

| Functions/Programs                                 | Expenses            | Program Revenues     |                                    |
|--|---------------------|----------------------|------------------------------------|
|  |                     | Charges for Services | Operating Grants and Contributions |
| <b>GOVERNMENTAL ACTIVITIES</b>                     |                     |                      |                                    |
| General government                                 | \$ 1,250,211        | \$ 224,150           | \$ 4,059                           |
| Public safety - police                             | 1,760,978           | 53,713               | 1,400                              |
| Public safety - fire                               | 323,225             | -                    | 77,148                             |
| Public safety - code enforcement, planning, zoning | 269,321             | 320,033              | -                                  |
| Public works - highways and streets                | 1,399,488           | -                    | 661,549                            |
| Culture and recreation                             | 203,676             | 74,202               | -                                  |
| Community development                              | 715,319             | -                    | -                                  |
| Debt service                                       | 11,433              | -                    | -                                  |
| Employer benefits - pensions                       | -                   | -                    | 199,699                            |
| Insurance  | 28,292              | -                    | -                                  |
| Miscellaneous                                      | 7,872               | -                    | -                                  |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>               | <b>5,969,815</b>    | <b>672,098</b>       | <b>943,855</b>                     |
| <b>BUSINESS-TYPE ACTIVITIES</b>                    |                     |                      |                                    |
| Sewer  | 2,255,845           | 2,133,379            | 35,843                             |
|  | <b>\$ 8,225,660</b> | <b>\$ 2,805,477</b>  | <b>\$ 979,698</b>                  |
| <b>GENERAL REVENUES</b>                            |                     |                      |                                    |
| Taxes  |                     |                      |                                    |
| Real estate taxes                                  |                     |                      |                                    |
| Real estate transfer                               |                     |                      |                                    |
| Per capita   |                     |                      |                                    |
| Earned income                                      |                     |                      |                                    |
| Local services                                     |                     |                      |                                    |
| Interest income                                    |                     |                      |                                    |
| Proceeds from disposal of assets                   |                     |                      |                                    |
| Miscellaneous                                      |                     |                      |                                    |
| <b>TOTAL GENERAL REVENUES</b>                      |                     |                      |                                    |
| <b>CHANGE IN NET POSITION</b>                      |                     |                      |                                    |
| <b>NET POSITION AT BEGINNING OF YEAR</b>           |                     |                      |                                    |
| <b>NET POSITION AT END OF YEAR</b>                 |                     |                      |                                    |

See accompanying notes to the basic financial statements.

| <u>Net (Expense) Revenue and Changes in Net Position</u> |                      |                      |
|--|----------------------|----------------------|
| <u>Governmental</u>                                      | <u>Business-Type</u> |                      |
| <u>Activities</u>  | <u>Activities</u>    | <u>Totals</u>        |
| \$ (1,022,002)   | \$ -                 | \$ (1,022,002)       |
| (1,705,865)  | -                    | (1,705,865)          |
| (246,077)  | -                    | (246,077)            |
| 50,712   | -                    | 50,712               |
| (737,939)  | -                    | (737,939)            |
| (129,474)  | -                    | (129,474)            |
| (715,319)  | -                    | (715,319)            |
| (11,433)   | -                    | (11,433)             |
| 199,699  | -                    | 199,699              |
| (28,292)   | -                    | (28,292)             |
| <u>(7,872)</u>   | <u>-</u>             | <u>(7,872)</u>       |
| (4,353,862)  | -                    | (4,353,862)          |
| <u>-</u>   | <u>(86,623)</u>      | <u>(86,623)</u>      |
| <u>(4,353,862)</u>                                       | <u>(86,623)</u>      | <u>(4,440,485)</u>   |
| 1,155,058  | -                    | 1,155,058            |
| 549,122  | -                    | 549,122              |
| 39,392   | -                    | 39,392               |
| 2,872,708  | -                    | 2,872,708            |
| 11,648   | -                    | 11,648               |
| 189,072  | 71,123               | 260,195              |
| 23,075   | -                    | 23,075               |
| 39,891   | -                    | 39,891               |
| <u>4,879,966</u>   | <u>71,123</u>        | <u>4,951,089</u>     |
| 526,104  | (15,500)             | 510,604              |
| <u>8,258,250</u>   | <u>35,154,413</u>    | <u>43,412,663</u>    |
| <u>\$ 8,784,354</u>                                      | <u>\$ 35,138,913</u> | <u>\$ 43,923,267</u> |



**NEW HANOVER TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

|   | <u>General Fund</u>         | <u>Open<br/>Space</u>       | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-----------------------------|-----------------------------|---|---|
| <b>ASSETS</b>   |                             |                             |   |   |
| Cash  | \$ 3,033,980                | \$ 1,085,853                | \$ 3,614,488                            | \$ 7,734,321                            |
| Investments   | 200,000                     | -                           | -                                       | 200,000                                 |
| Accounts receivable   | 58,705                      | -                           | -                                       | 58,705                                  |
| Taxes receivable  | 735,448                     | 195,324                     | 15,298                                  | 946,070                                 |
| Intergovernmental receivable  | 19,351                      | -                           | -                                       | 19,351                                  |
| Due from developers   | 93,770                      | -                           | -                                       | 93,770                                  |
| Prepays   | 61,326                      | -                           | -                                       | 61,326                                  |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| TOTAL ASSETS  | <u>\$ 4,202,580</u>         | <u>\$ 1,281,177</u>         | <u>\$ 3,629,786</u>                     | <u>\$ 9,113,543</u>                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>     |                             |                             |   |   |
| <b>LIABILITIES</b>  |                             |                             |   |   |
| Accounts payable  | \$ 66,778                   | \$ -                        | \$ 211,335                              | \$ 278,113                              |
| Accrued salaries  | 83,525                      | -                           | 1,783                                   | 85,308                                  |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| TOTAL LIABILITIES   | <u>150,303</u>              | <u>-</u>                    | <u>213,118</u>                          | <u>363,421</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                    |                             |                             |   |   |
| Unavailable revenue, property taxes                                     | 11,955                      | -                           | 7,869                                   | 19,824                                  |
| Unavailable revenue, other taxes  | 301,961                     | 89,886                      | -                                       | 391,847                                 |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| TOTAL DEFERRED INFLOWS OF<br>RESOURCES                                  | <u>313,916</u>              | <u>89,886</u>               | <u>7,869</u>                            | <u>411,671</u>                          |
| <b>FUND BALANCES</b>  |                             |                             |   |   |
| Nonspendable  | 61,326                      | -                           | -                                       | 61,326                                  |
| Restricted  |                             |                             |   |   |
| Fire Protection   | -                           | -                           | 45,592                                  | 45,592                                  |
| Recreation  | -                           | -                           | 210,644                                 | 210,644                                 |
| Traffic impact  | -                           | -                           | 2,046,573                               | 2,046,573                               |
| State Highway Aid   | -                           | -                           | 210,862                                 | 210,862                                 |
| Open Space  | -                           | 1,191,291                   | -                                       | 1,191,291                               |
| Capital projects  | -                           | -                           | 560,641                                 | 560,641                                 |
| Assigned  |                             |                             |   |   |
| Capital projects  | -                           | -                           | 334,487                                 | 334,487                                 |
| Unassigned  | 3,677,035                   | -                           | -                                       | 3,677,035                               |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| TOTAL FUND BALANCES   | <u>3,738,361</u>            | <u>1,191,291</u>            | <u>3,408,799</u>                        | <u>8,338,451</u>                        |
|   |                             |                             |   |   |
| TOTAL LIABILITIES, DEFERRED<br>INFLOW OF RESOURCES AND<br>FUND BALANCES | <u>\$ 4,202,580</u>         | <u>\$ 1,281,177</u>         | <u>\$ 3,629,786</u>                     | <u>\$ 9,113,543</u>                     |

See accompanying notes to the basic financial statements.

**NEW HANOVER TOWNSHIP**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2019**

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|   |                     |
|---|---------------------|
| TOTAL GOVERNMENTAL FUNDS BALANCES   | \$ 8,338,451        |
| <p>Amounts reported for governmental activities in the statement of net position are difference because:</p>  |                     |
| <p>Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.</p>   | 411,671             |
| <p>The net pension asset is not an available resource and, therefore, is not reported in the funds</p>  | 527,823             |
| <p>Deferred outflows and inflows of resources related to the pension plans will not be paid or received in the current period and, therefore, are not reported in the funds</p>   | (44,284)            |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in as liabilities in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2019 are as follows:</p> |                     |
| Notes payable   | (277,385)           |
| Accrued interest payable  | (689)               |
| Net pension liability   | (63,983)            |
| Compensated absences payable  | <u>(107,250)</u>    |
| TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES   | <u>\$ 8,784,354</u> |

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

|  | <u>General Fund</u> | <u>Open<br/>Space</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-----------------------|---|---|
| <b>REVENUES</b>  |                     |                       |   |   |
| Taxes  |                     |                       |   |   |
| Real estate  | \$ 702,505          | \$ -                  | \$ 462,216                              | \$ 1,164,721                            |
| Real estate transfer   | 549,122             | -                     | -                                       | 549,122                                 |
| Per capita   | 39,392              | -                     | -                                       | 39,392                                  |
| Earned income  | 2,209,654           | 664,460               | -                                       | 2,874,114                               |
| Local services   | 11,540              | -                     | -                                       | 11,540                                  |
| Licenses and permits   | 230,739             | -                     | -                                       | 230,739                                 |
| Fines and forfeits   | 53,713              | -                     | -                                       | 53,713                                  |
| Interest and rents   | 96,845              | 16,507                | 75,720                                  | 189,072                                 |
| Intergovernmental revenues                                   | 200,038             | -                     | 572,967                                 | 773,005                                 |
| Charges for services   | 313,444             | -                     | 74,202                                  | 387,646                                 |
| Miscellaneous  | 15,281              | -                     | 195,460                                 | 210,741                                 |
| <b>TOTAL REVENUES</b>  | <u>4,422,273</u>    | <u>680,967</u>        | <u>1,380,565</u>                        | <u>6,483,805</u>                        |
| <b>EXPENDITURES</b>  |                     |                       |   |   |
| General government   | 1,123,952           | -                     | 146,331                                 | 1,270,283                               |
| Public safety  |                     |                       |   |   |
| Police   | 1,712,108           | -                     | 79,663                                  | 1,791,771                               |
| Fire   | -                   | -                     | 323,225                                 | 323,225                                 |
| Code enforcement, planning, zoning                           | 279,122             | -                     | -                                       | 279,122                                 |
| Public works - highway and streets                           | 854,449             | -                     | 586,638                                 | 1,441,087                               |
| Culture and recreation                                       | 10,650              | -                     | 202,603                                 | 213,253                                 |
| Community development  | -                   | 715,319               | -                                       | 715,319                                 |
| Debt service   | -                   | 207,262               | -                                       | 207,262                                 |
| Insurance  | 28,292              | -                     | -                                       | 28,292                                  |
| Miscellaneous  | 7,872               | -                     | -                                       | 7,872                                   |
| <b>TOTAL EXPENDITURES</b>                                    | <u>4,016,445</u>    | <u>922,581</u>        | <u>1,338,460</u>                        | <u>6,277,486</u>                        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>405,828</u>      | <u>(241,614)</u>      | <u>42,105</u>                           | <u>206,319</u>                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                       |   |   |
| Transfers in   | -                   | -                     | 156,995                                 | 156,995                                 |
| Transfers out  | (116,995)           | -                     | (40,000)                                | (156,995)                               |
| Proceeds from disposal of assets                             | -                   | -                     | 23,075                                  | 23,075                                  |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>              | <u>(116,995)</u>    | <u>-</u>              | <u>140,070</u>                          | <u>23,075</u>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 288,833             | (241,614)             | 182,175                                 | 229,394                                 |
| <b>FUND BALANCES AT BEGINNING OF YEAR</b>                    | <u>3,449,528</u>    | <u>1,432,905</u>      | <u>3,226,624</u>                        | <u>8,109,057</u>                        |
| <b>FUND BALANCES AT END OF YEAR</b>                          | <u>\$ 3,738,361</u> | <u>\$ 1,191,291</u>   | <u>\$ 3,408,799</u>                     | <u>\$ 8,338,451</u>                     |

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 229,394

The change in net position reported for governmental activities in the statement of activities is different because:

Some taxes will not be collected for several months after year-end. These taxes are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased (increased) by this amount during the year.

|             |          |          |
|-------------|----------|----------|
| Real estate | (9,663)  |          |
| Other taxes | (1,298)  |          |
|             | (10,961) | (10,961) |

Governmental funds report interest paid on bonds payable as expenditures. However, in the statement of activities, interest is matched to the period in which it was incurred. This amount is the net effect of matching interest expense to the proper period.

485

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

|                      |  |         |
|----------------------|--|---------|
| Principal repayments |  | 195,344 |
|----------------------|--|---------|

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

|                              |         |         |
|------------------------------|---------|---------|
| Net pension expense          | 114,432 |         |
| Compensated absences payable | (2,590) |         |
|                              | 111,842 | 111,842 |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 526,104

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

|  | <u>Sewer</u>         |
|--|----------------------|
| ASSETS                                 |                      |
| CURRENT ASSETS                         |                      |
| Cash, unrestricted                     | \$ 3,622,217         |
| Accounts receivable                    | 215,025              |
| Receivable - connection fees           | 103,459              |
| Receivable - front footage assessments | 23,198               |
| Prepays                                | 1,370                |
| TOTAL CURRENT ASSETS                   | <u>3,965,269</u>     |
| NONCURRENT ASSETS                      |                      |
| Capital assets                         |                      |
| Land                                   | 2,743,421            |
| Sanitary sewer system                  | 20,962,774           |
| Wastewater treatment plant             | 25,431,803           |
| Vehicles                               | 95,451               |
| Equipment                              | 340,497              |
| Less accumulated depreciation          | <u>(13,141,077)</u>  |
| TOTAL CAPITAL ASSETS                   | 36,432,869           |
| Net pension asset                      | 289,241              |
| TOTAL NONCURRENT ASSETS                | <u>36,722,110</u>    |
| TOTAL ASSETS                           | <u>40,687,379</u>    |
| LIABILITIES                            |                      |
| CURRENT LIABILITIES                    |                      |
| Accounts payable                       | 38,715               |
| Accrued salaries                       | 15,351               |
| Accrued interest payable               | 22,228               |
| Notes payable, current portion         | 520,000              |
| TOTAL CURRENT LIABILITIES              | <u>596,294</u>       |
| NONCURRENT LIABILITIES                 |                      |
| Notes payable, long-term portion       | 4,851,000            |
| Compensated absences payable           | 6,398                |
| TOTAL NONCURRENT LIABILITIES           | <u>4,857,398</u>     |
| TOTAL LIABILITIES                      | <u>5,453,692</u>     |
| DEFERRED INFLOWS OF RESOURCES          |                      |
| Pension                                | 94,774               |
| NET POSITION                           |                      |
| Net investment in capital assets       | 31,061,869           |
| Unrestricted                           | 4,077,044            |
| TOTAL NET POSITION                     | <u>\$ 35,138,913</u> |

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

|   | <u>Sewer</u>         |
|---|----------------------|
| OPERATING REVENUES                        |                      |
| Sewer charges                             | \$ 2,078,965         |
| Tapping fees                              | 47,239               |
| Miscellaneous                             | 7,175                |
| TOTAL OPERATING REVENUES                  | <u>2,133,379</u>     |
| OPERATING EXPENSES                        |                      |
| Administrative                            | 343,519              |
| Legal                                     | 43,538               |
| Engineering                               | 74,146               |
| Professional fees                         | 10,834               |
| Buildings and plant                       | 499,504              |
| Sewage disposal operations                | 346,980              |
| Insurance                                 | 18,880               |
| Depreciation                              | 790,153              |
| TOTAL OPERATING EXPENSES                  | <u>2,127,554</u>     |
| OPERATING INCOME                          | <u>5,825</u>         |
| NONOPERATING REVENUES (EXPENSES)          |                      |
| Intergovernmental                         | 35,843               |
| Interest income                           | 71,123               |
| Debt service                              |                      |
| Interest                                  | <u>(128,291)</u>     |
| TOTAL NONOPERATING REVENUES<br>(EXPENSES) | <u>(21,325)</u>      |
| CHANGE IN NET POSITION                    | (15,500)             |
| NET POSITION AT BEGINNING OF YEAR         | <u>35,154,413</u>    |
| NET POSITION AT END OF YEAR               | <u>\$ 35,138,913</u> |

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

|   | <u>Sewer</u>        |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                     |
| Receipts from customers   | \$ 2,117,291        |
| Payments to suppliers   | (1,245,783)         |
| Payments to employees   | (238,054)           |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>633,454</u>      |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING<br>ACTIVITIES                               |                     |
| Acquisition, construction and improvements<br>of capital assets                           | (25,150)            |
| Intergovernmental revenues  | 35,843              |
| Proceeds from sales of assets   | -                   |
| Interest paid   | (128,302)           |
| Principal paid on bonds   | (511,000)           |
| NET CASH USED BY IN CAPITAL AND RELATED<br>FINANCING ACTIVITIES                           | <u>(628,609)</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                     |
| Earnings on investments   | <u>71,123</u>       |
| NET INCREASE IN CASH  | 75,968              |
| CASH AT BEGINNING OF YEAR   | <u>3,546,249</u>    |
| CASH AT END OF YEAR   | <u>\$ 3,622,217</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH<br>PROVIDED BY OPERATING ACTIVITIES        |                     |
| Operating income  | \$ 5,825            |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities |                     |
| Depreciation  | 790,153             |
| Pension expense   | (48,897)            |
| (Increase) decrease in assets   |                     |
| Accounts receivable   | (16,088)            |
| Due from other funds  | 88,105              |
| Due from fiduciary funds  | 2,349               |
| Prepays   | (1,370)             |
| Increase (decrease) in liabilities  |                     |
| Accounts payable  | 2,540               |
| Accrued salaries  | (2,447)             |
| Compensated absences payable  | (2,825)             |
| Due to other funds  | <u>(183,891)</u>    |
| NET CASH PROVIDED BY OPERATING<br>ACTIVITIES  | <u>\$ 633,454</u>   |

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

|  | Pension<br>Trust<br>Funds   | Custodial<br>Fund           |
|--|-----------------------------|-----------------------------|
|  | <u>                    </u> | <u>                    </u> |
| <b>ASSETS</b>                                  |                             |                             |
| Cash and cash equivalents                      | \$ 398,703                  | \$ 415,217                  |
| Investments                                    |                             |                             |
| Equity mutual funds                            | 4,795,328                   | -                           |
| Fixed income mutual funds                      | 2,902,805                   | -                           |
| Real estate mutual funds                       | 234,863                     | -                           |
| Receivables                                    | 2,723                       | 7,314                       |
| Due from Township                              | -                           | -                           |
| TOTAL ASSETS                                   | <u>8,334,422</u>            | <u>422,531</u>              |
| <br><b>LIABILITIES AND NET POSITION</b>        |                             |                             |
| <b>LIABILITIES</b>                             |                             |                             |
| Accounts payable                               | <u>-</u>                    | <u>27,802</u>               |
| <br><b>NET POSITION</b>                        |                             |                             |
| Net position restricted for pensions           | 8,334,422                   | -                           |
| Net position restricted for custodial purposes | <u>-</u>                    | <u>394,729</u>              |
| TOTAL NET POSITION                             | <u>\$ 8,334,422</u>         | <u>\$ 394,729</u>           |

*See accompanying notes to the basic financial statements.*



**NEW HANOVER TOWNSHIP**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

|  | Pension<br>Trust<br>Funds | Custodial<br>Fund |
|--|---------------------------|-------------------|
| <b>ADDITIONS</b>   |                           |                   |
| Contributions  |                           |                   |
| Member contributions   | \$ 55,617                 | \$ -              |
| Employer contributions   | 235,543                   | -                 |
| Developer contributions  | -                         | 612,132           |
| <b>TOTAL CONTRIBUTIONS</b>                                       | <u>291,160</u>            | <u>612,132</u>    |
| Investment earnings  |                           |                   |
| Dividends  | 255,929                   | -                 |
| Net decrease in the fair value of investments                    | 1,104,247                 | -                 |
| <b>TOTAL INVESTMENT EARNINGS</b>                                 | <u>1,360,176</u>          | <u>-</u>          |
| Investment expense   | (25,773)                  | -                 |
| <b>INVESTMENT EARNINGS, net</b>                                  | <u>1,334,403</u>          | <u>-</u>          |
| <b>TOTAL ADDITIONS</b>   | <u>1,625,563</u>          | <u>612,132</u>    |
| <b>DEDUCTIONS</b>  |                           |                   |
| Benefits   | 288,605                   | -                 |
| Administrative expenses  | 12,000                    | -                 |
| Payments for developers  | -                         | 725,538           |
| <b>TOTAL DEDUCTIONS</b>  | <u>300,605</u>            | <u>725,538</u>    |
| <b>CHANGE IN NET POSITION</b>                                    | 1,324,958                 | (113,406)         |
| <b>NET POSITION HELD IN TRUST AT BEGINNING OF YEAR, restated</b> | <u>7,009,464</u>          | <u>508,135</u>    |
| <b>NET POSITION HELD IN TRUST AT END OF YEAR</b>                 | <u>\$ 8,334,422</u>       | <u>\$ 394,729</u> |

*See accompanying notes to the basic financial statements.*

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE A - NATURE OF ACTIVITY**

New Hanover Township, Montgomery County, Pennsylvania, is a Second-Class Township, created in 1741. The Township is governed by five elected Supervisors who serve a six-year term. The Supervisors have the power to establish policies to be carried out by the Township. The Board of Supervisors manages the Township with the assistance of a Township Manager who is appointed. The Township's major sources of revenue include real estate and local enabling taxes.

**Reporting Entity**

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable, and as such, be includable within the Township's financial statements. The Township is financially accountable if it appoints a voting majority of the organization governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. These financial statements include the departments and other organizational units over which the Board of Supervisors exercise oversight responsibility, including general government, police protection, recreation, public works and the Sewer Authority.

In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- The Tax Collector is an elected officer who collects taxes on behalf of the Township, the Montgomery County and the Boyertown Area School District. The Township regards the Tax Collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.
- New Hanover Volunteer Fire & Rescue Services and Gilbertsville Area Community Ambulance Services receive contributions from the Township. However, the majority of revenues generated are through private fundraisers under the direction of a separate independent board not appointed by the Supervisors. The Fire Department and Ambulance are organized under separate charters and, therefore, are not included in the financial statements.
- The New Hanover Township Authority is a separate legal entity. The Township Supervisors appoint the members of the Authority's Board and the Township has the ability to impose its will on the Authority. The activity of the Authority is included in these financial statements under the Sewer Fund.
- The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by the Board of Supervisors and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and issues separate financial statements.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE A - NATURE OF ACTIVITY (Continued)**

- The Non-Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provides pensions for all non-uniformed employees hired before June 1, 2016. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed the Board of Supervisors and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does issues separate financial statements.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except for not recording the Township's governmental activities capital assets and related depreciation, the Township follows the practice of presenting its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**Basis of Presentation**

***Government-Wide Financial Statements***

The statement of net position and the statement of activities display information about the reporting government as a whole. The statements include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues, or expenditures of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and total assets, liabilities, revenues, or expenditures of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

**NEW HANOVER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The funds of the financial reporting entity are described below:

***Governmental Funds***

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use, and balance of the Township's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The following are the Township's governmental funds:

**General Fund** - This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax receipts and other source of receipts used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

**Special Revenue Funds** - are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted, committed, or assigned revenues should be the foundation for a special revenue fund. The reporting entity includes the following special revenue funds which are reported as nonmajor funds:

*State Highway Aid Fund* - This fund is used to account for the proceeds from the State Motor License Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. This fund must be kept separate from all other funds and no other funds shall be comingled with this fund.

*Fire Protection Tax Fund* - This fund is used to account for the financial resources (real estate taxes 0.31 mills) to be used for fire protection.

*Transportation Impact Fund* - This fund is used to account for traffic impact fee studies related to new developments and implementation.

*Recreation Fund* - This fund accounts for the financial resources (real estate tax 0.18 mills) and charges for services to be used for the parks, pool and recreation activities and special events for the community of the Township.

**NEW HANOVER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Project Funds** - are used to account for and report financial resources that are restricted, committed, or assigned expenditures for capital outlays, including the acquisition or construction of major capital improvements. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The reporting entity includes the following capital project funds which are reported as nonmajor funds:

Open Space Fund - This fund accounts for the financial resources (local earned income tax 0.15%) to be used for the acquisition of land to be preserved and maintained by the Township.

Road Equipment Fund - This fund accounts for the financial resources (real estate tax 0.14 mills) to be used for the acquisition or construction of capital outlays.

Capital Reserve Fund - is used to account for the financial resources to be used for various capital projects.

Recreation Reserve Fund - is used to account for the financial resources to be used to acquire and make improvements to municipal parks, pool and recreation assets.

***Proprietary Fund***

**Enterprise Funds** - are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private-sector. The reporting entity includes the following enterprise funds which are reported as major funds:

Sewer Fund - This fund accounts for the sanitary sewer revenues, operations of the sanitary sewer system, including personnel to operate the sanitary sewer system and sending sewer bills for the sanitary sewer system.

***Fiduciary Fund Type***

Fiduciary fund types are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

The following are the Township's fiduciary fund types:

Pension Trust Funds – These funds are used to account for assets held for the Township's pension plans which are funded by employer contributions. These Funds account for fiduciary resources legally held in trust for the receipt and distribution of retirement benefits. The Township sponsors two pension plans: the Police Pension Plan and the Non-Uniformed Pension Plan.

Custodial Fund - These funds are used to account for assets held by the Township that are not available to support the Township's own programs.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting**

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

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

***Government-Wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

***Fund Financial Statements***

The fund financial statements are presented on a current financial resources and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for a specific purpose or project before any amounts will be paid to the Township, therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt, or earlier, if the susceptible-to-accrual criteria are met.

Investment income is recognized as earned.

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

Operating revenues in the proprietary funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**Assets, Liabilities, and Deferred Outflows and Inflows of Resources**

***Cash***

The Township considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash.

For the purpose of the statement of cash flows, cash includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Investments***

Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value except for certificates of deposit which are stated at amortized cost.

Investments of pension trust funds are pursuant to the guidelines established by the Pension Boards.

**Accounts Receivable**

Accounts receivable are shown net of allowances for uncollectible amounts.

**Due to and From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Capital Assets**

Proprietary Funds record capital assets and depreciation expense. Capital assets are defined by the Authority (Sewer Fund) as assets with a useful life in excess of one year and an initial cost of \$5,000 or more and are recorded at historical cost. Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives:

|                            | <u>Years</u> |
|----------------------------|--------------|
|                            | 50-110       |
| Sanitary Sewer System      | 50           |
| Wastewater Treatment Plant | 7-10         |
| Vehicles                   | 5-15         |
| Equipment                  | 50-110       |

Maintenance and repairs of capital assets are charged to operation and major improvements are capitalized. Authority (Sewer Fund) organization expenses (feasibility studies, planning studies, valuation of systems to be acquired, etc.) are considered to be a component of property and equipment. Upon retirement, sale or disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.



**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Management has concluded that no impairment reserves are required as of December 31, 2019.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of the difference between expected and actual experience.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items which qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes and earned income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide and proprietary fund statement of net position and is the result of the difference between expected and actual experience, and the difference between projected and actual investment earnings on pension plan investments.

**Long-Term Debt**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**Compensated Absences**

The Township accrues accumulated compensation and sick pay benefits when earned, or estimated to be earned, by the employee.

**NEW HANOVER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For nonuniformed employees, after the accumulation of a maximum of 30 days to be used solely as sick time, any accumulated sick days over 20 not used by the end of the year will accumulate towards retirement at the rate of half a day for each day not taken during the year. The rate at which time will be valued is memorialized as of the year earned. Police officer sick time is calculated the same as nonuniformed employee time, with the exception that accumulated sick time must be 1,320 hours before time is accumulated until retirement.

Nonuniformed employees may also accumulate up to 80 hours of vacation time. Police officers may also accumulate up to 80 hours of comp time. The police chief may accumulate up to 16 hours of vacation time.

**Equity**

***Government-Wide Statements***

The Township classifies net position into the following components:

**Net Investment in Capital Assets** - This component of net position consists of the cost of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of these assets. The Township has not recorded the cost or accumulated depreciation on governmental activity capital assets.

**Restricted** - This component of net position consists of constraints placed on net position use either by (a) external groups, such as creditors, grantors, contributors or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Township's policy is to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

***Governmental Fund Financial Statements***

Fund balance is classified into specifically designed classifications as follows:

**Nonspendable** - This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

**Restricted** - This classification consists of amounts that are restricted to specific purposes either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.

**NEW HANOVER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Committed** - This classification consists of amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end, however, the amount may be determined subsequent to year-end.

**Assigned** - This classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted, nor committed. The Township has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose.

**Unassigned** - This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

**Revenues and Expenditures**

**Program Revenues**

All revenues are recognized when earned.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (a) charges to customers or applicants for goods and services or privileges provided, (b) operating grants and contributions, and (c) capital grants and contributions, including special assessments.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are sewer usage charges. The Township also recognizes as operating revenues, the portion of tapping fees intended to recover the cost of connecting new customers to the sewer system. Operating expenditures of the Sewer Fund includes the cost of the services. All revenues and expenditures not meeting this definition are reported as nonoperating revenues and expenditures. The principal nonoperating revenues and expenses of the Township's proprietary funds are interest income and interest expense.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes**

The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2019 was 1.587 mills, consisting of 0.957 mills for general purposes, .310 mills for fire protection purposes, .180 mills for recreation purposes and .140 mills for road equipment capital purposes, as established by the Board of Supervisors.

The Township's real estate taxes are based on assessed values established by the County's Board of Assessments. The taxes are collected by elected local tax collectors. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after June 30. The Montgomery County Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the Montgomery County Tax Claim Bureau is made by January 15 of the subsequent year.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the Township regardless of when the cash is received. Over time, substantially all property taxes are collected.

In the fund financial statements, delinquent property taxes not paid within 60 days of December 31 are recorded as deferred inflows of resources.

**Intergovernmental Revenues**

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania, federal agencies, and local governmental units, generally to fund specific programs, and are recognized when received.

**Internal and Interfund Balances and Activities**

***Fund Financial Statements***

Interfund activity, if any, within and among the governmental and proprietary fund categories, is reported as follows in the fund financial statements:

**Interfund Services** - Sales or purchases of goods and services between funds are reported as revenues and expenditures.

**Interfund Reimbursements** - Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

**Interfund Transfers** - Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with Finance-Related Legal and Contractual Provisions**

The Township had no material violations of finance-related legal and contractual provisions.

**NOTE D - DEPOSITS AND INVESTMENTS**

The Township's available cash is invested in demand deposit accounts. Pension fund assets are invested in mutual funds. The carrying amount of cash and investments at December 31, 2019 consists of the following:

|   |                      |
|---|----------------------|
| <b>CASH</b>                               |                      |
| Township deposits with Victory Bank       | \$ 11,356,238        |
| Custodial fund deposits with Victory Bank | 415,217              |
| Pension cash                              | 398,703              |
| Petty cash                                | 300                  |
| TOTAL CASH                                | <u>12,170,458</u>    |
| <br><b>INVESTMENTS</b>                    |                      |
| Township certificates of deposit          | <u>200,000</u>       |
| Pension Mutual Funds                      |                      |
| Fixed income                              | 2,902,805            |
| Equities                                  | 4,795,328            |
| Real estate                               | 234,863              |
| TOTAL INVESTMENTS                         | <u>8,132,996</u>     |
| TOTAL CASH AND INVESTMENTS                | <u>\$ 20,303,454</u> |

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

**Reconciliation to Statement of Net Position/Balance Sheet**

|                          |  |                      |
|--------------------------|--|----------------------|
| CASH                     |  |                      |
| Governmental activities  |  | \$ 7,734,321         |
| Business-type activities |  | 3,622,217            |
| Fiduciary funds          |  | 813,920              |
|                          |  | <u>12,170,458</u>    |
| INVESTMENTS              |  |                      |
| Governmental activities  |  | 200,000              |
| Fiduciary funds          |  | 7,932,996            |
|                          |  | <u>8,132,996</u>     |
|                          |  | <u>\$ 20,303,454</u> |

**Custodial Credit Risk, Deposits**

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2019, the carrying amounts of the Township's bank deposits were \$12,170,158, and the corresponding bank balances were \$12,431,456, of which \$250,000 was covered by Federal Depository Insurance. Pension fund deposits of \$398,703 were uninsured and uncollateralized. The remaining \$11,782,753 of deposits was exposed to custodial risk because it was uninsured, although these funds are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**Investments**

As of December 31, 2019, the Township had the following investments:

| <u>Investment Type</u>      | <u>Amortized<br/>Cost</u> | <u>Fair Value<br/>Level 1</u> | <u>Investment<br/>Maturities<br/>Less Than<br/>One Year</u> |
|-----------------------------|---------------------------|-------------------------------|---|
| PROPRIETARY ACTIVITIES      |                           |                               |   |
| Certificates of deposit     | \$ <u>200,000</u>         | \$ <u>-</u>                   | \$ <u>200,000</u>   |
| PENSION ACTIVITIES          |                           |                               |   |
| Mutual funds, fixed income  | \$ -                      | \$ 2,902,805                  | \$ 2,902,805  |
| Mutual funds, equities      | -                         | 4,795,328                     | 4,795,328   |
| Mutual funds, real estate   | -                         | 234,863                       | 234,863   |
|                             | <u>-</u>                  | <u>7,932,996</u>              | <u>7,932,996</u>  |
| TOTAL PENSION<br>ACTIVITIES | <u>\$ -</u>               | <u>\$ 7,932,996</u>           | <u>\$ 7,932,996</u>   |

**NEW HANOVER TOWNSHIP**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

***Fair Value Measurement*** - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2019:

Investments in mutual funds, fixed income of \$2,902,805, mutual funds, equities of \$4,795,328, and mutual funds, real estate of \$234,863, mutual funds, are valued using quoted market prices (Level 1 inputs).

***Interest Rate Risk*** - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk*** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of government funds as described in Note B. The Township limits the type of investments permitted as defined in the Township Code. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

***Concentration of Credit Risk*** - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In the proprietary funds, certificates of deposit are 100% of total investments. There were no other investments that exceeded 5% of the total investments reported in the Governmental, Proprietary, or Fiduciary Funds that would be considered a concentration of credit risk.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE E - CAPITAL ASSETS**

Changes in capital asset activity for the year ended December 31, 2019, were as follows:

|  | Balance<br>January 1,<br>2019 | Increases           | Decreases             | Balance<br>December 31,<br>2019 |
|--|-------------------------------|---------------------|-----------------------|---------------------------------|
| <b>BUSINESS-TYPE ACTIVITIES</b>                |                               |                     |                       |                                 |
| Capital assets, not being depreciated          |                               |                     |                       |                                 |
| Land   | \$ 2,743,421                  | \$ -                | \$ -                  | \$ 2,743,421                    |
| Construction in progress                       | 1,804,267                     | -                   | (1,804,267)           | -                               |
| TOTAL CAPITAL ASSETS NOT<br>BEING DEPRECIATED  | <u>4,547,688</u>              | <u>-</u>            | <u>(1,804,267)</u>    | <u>2,743,421</u>                |
| Capital assets being depreciated               |                               |                     |                       |                                 |
| Sanitary sewer system                          | 19,230,596                    | 1,732,178           | -                     | 20,962,774                      |
| Wastewater treatment plant                     | 25,431,803                    | -                   | -                     | 25,431,803                      |
| Vehicles                                       | 95,451                        | -                   | -                     | 95,451                          |
| Equipment                                      | 243,258                       | 97,239              | -                     | 340,497                         |
| TOTAL CAPITAL ASSETS BEING<br>DEPRECIATED      | <u>45,001,108</u>             | <u>1,829,417</u>    | <u>-</u>              | <u>46,830,525</u>               |
| Accumulated depreciation                       |                               |                     |                       |                                 |
| Sanitary sewer system                          | (5,542,581)                   | (258,458)           | -                     | (5,801,039)                     |
| Wastewater treatment plant                     | (6,549,376)                   | (508,636)           | -                     | (7,058,012)                     |
| Vehicles                                       | (67,615)                      | (5,335)             | -                     | (72,950)                        |
| Equipment                                      | (191,352)                     | (17,724)            | -                     | (209,076)                       |
| TOTAL ACCUMULATED<br>DEPRECIATION              | <u>(12,350,924)</u>           | <u>(790,153)</u>    | <u>-</u>              | <u>(13,141,077)</u>             |
| TOTAL CAPITAL ASSETS BEING<br>DEPRECIATED, net | <u>32,650,184</u>             | <u>1,039,264</u>    | <u>-</u>              | <u>33,689,448</u>               |
| <b>BUSINESS-TYPE ACTIVITIES</b>                |                               |                     |                       |                                 |
| CAPITAL ASSETS, net                            | <u>\$ 37,197,872</u>          | <u>\$ 1,039,264</u> | <u>\$ (1,804,267)</u> | <u>\$ 36,432,869</u>            |

**NOTE F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

There were no interfund receivables and payables at December 31, 2019.

Transfers between funds for the year ended December 31, 2019, were as follows:

|                                | Transfers<br>In   | Transfers<br>Out  |
|--------------------------------|-------------------|-------------------|
| <b>GOVERNMENTAL ACTIVITIES</b> |                   |                   |
| General Fund                   | \$ -              | \$ 116,995        |
| Nonmajor governmental funds    | <u>156,995</u>    | <u>40,000</u>     |
|                                | <u>\$ 156,995</u> | <u>\$ 156,995</u> |



**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE G - LONG-TERM DEBT**

At December 31, 2019, long-term debt consists of the following:

|  | Balance<br>Outstanding<br>December 31,<br>2018 | Additions   | Payments            | Balance<br>Outstanding<br>December 31,<br>2019 | Due Within<br>One Year |
|--|--|-------------|---------------------|--|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>   |  |             |                     |  |                        |
| General Obligation Note, Series of 2011, for capital acquisitions in the Township, initial issue \$3,000,000, interest at 2.98% through February 2021, then an adjustable rate equal to 65% of the Wall Street Journal Prime Rate, not to exceed 4% and not less than 2.98%. Matures May 2031. | \$ 472,729                                     | \$ -        | \$ (195,344)        | \$ 277,385                                     | \$ 201,231             |
| <b>BUSINESS-TYPE ACTIVITIES</b>  |  |             |                     |  |                        |
| General Obligation Note, Series of 1998, initial issue \$7,500,000, interest at 2.03% maturing in various amounts through 2027   | 3,135,000                                      | -           | (365,000)           | 2,770,000                                      | 372,000                |
| Guaranteed Revenue Note, Series of 2002, initial issue \$2,500,000, interest at 1.72% maturing in various amounts through 2023.  | 748,000  | -           | (145,000)           | 603,000  | 147,000                |
| Guaranteed Revenue Note, Series of 2017, for the West Branch Interceptor Project, initial issue \$2,000,000, interest at 2.67%, maturing in various amounts through 2029.  | 1,999,000                                      | -           | (1,000)             | 1,998,000                                      | 1,000                  |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>  | <b>5,882,000</b>                               | <b>-</b>    | <b>(511,000)</b>    | <b>5,371,000</b>                               | <b>520,000</b>         |
| <b>TOTAL DEBT</b>  | <b>\$ 6,354,729</b>                            | <b>\$ -</b> | <b>\$ (706,344)</b> | <b>\$ 5,648,385</b>                            | <b>\$ 721,231</b>      |

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE G - LONG-TERM DEBT (Continued)**

Aggregate maturities required on long-term debt at December 31, 2019 are as follows:

**GOVERNMENTAL ACTIVITIES**

| <u>Year Ending<br/>December 31,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total Debt<br/>Service</u> |
|-------------------------------------|-------------------|-----------------|-------------------------------|
| 2020                                | \$ 201,231        | \$ 6,032        | \$ 207,263                    |
| 2021                                | <u>76,154</u>     | <u>753</u>      | <u>76,907</u>                 |
|                                     | <u>\$ 277,385</u> | <u>\$ 6,785</u> | <u>\$ 284,170</u>             |

**BUSINESS-TYPE ACTIVITIES**

| <u>Year Ending<br/>December 31,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total Debt<br/>Service</u> |
|-------------------------------------|---------------------|-------------------|-------------------------------|
| 2020                                | \$ 520,000          | \$ 119,936        | \$ 639,936                    |
| 2021                                | 531,000             | 109,829           | 640,829                       |
| 2022                                | 541,000             | 99,508            | 640,508                       |
| 2023                                | 550,000             | 88,991            | 638,991                       |
| 2024                                | 563,000             | 76,175            | 639,175                       |
| 2025 to 2029                        | <u>2,666,000</u>    | <u>165,958</u>    | <u>2,831,958</u>              |
|                                     | <u>\$ 5,371,000</u> | <u>\$ 660,397</u> | <u>\$ 6,031,397</u>           |

Substantially all of the Township's assets are pledged as collateral on the long-term debt

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE H - CHANGES IN LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended December 31, 2019 are as follows:

|   | Balance<br>January 1,<br>2019 | Additions       | Deletions           | Balance<br>December 31,<br>2019 | Current<br>Portion |
|---|-------------------------------|-----------------|---------------------|---------------------------------|--------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>  |                               |                 |                     |                                 |                    |
| General obligation debt   |                               |                 |                     |                                 |                    |
| Notes payable   | \$ 472,729                    | \$ -            | \$ (195,344)        | \$ 277,385                      | \$ 201,231         |
| Compensated absences  | 104,660                       | 2,590           | -                   | 107,250                         | -                  |
| Net pension liability   | 185,555                       | -               | (121,572)           | 63,983                          | -                  |
|   | <u>762,944</u>                | <u>2,590</u>    | <u>(316,916)</u>    | <u>448,618</u>                  | <u>201,231</u>     |
| <b>TOTAL GOVERNMENTAL<br/>ACTIVITIES LONG- TERM<br/>LIABILITIES</b>   |                               |                 |                     |                                 |                    |
|   | <u>\$ 762,944</u>             | <u>\$ 2,590</u> | <u>\$ (316,916)</u> | <u>\$ 448,618</u>               | <u>\$ 201,231</u>  |
| <b>BUSINESS- TYPE ACTIVITIES</b>                                      |                               |                 |                     |                                 |                    |
| General obligation debt   |                               |                 |                     |                                 |                    |
| Notes payable   | \$ 5,882,000                  | \$ -            | \$ (511,000)        | \$ 5,371,000                    | \$ 520,000         |
| Compensated absences  | 9,223                         | -               | (2,825)             | 6,398                           | -                  |
|   | <u>5,891,223</u>              | <u>-</u>        | <u>(513,825)</u>    | <u>5,377,398</u>                | <u>520,000</u>     |
| <b>TOTAL BUSINESS- TYPE<br/>ACTIVITIES LONG- TERM<br/>LIABILITIES</b> |                               |                 |                     |                                 |                    |
|   | <u>\$ 5,891,223</u>           | <u>\$ -</u>     | <u>\$ (513,825)</u> | <u>\$ 5,377,398</u>             | <u>\$ 520,000</u>  |

**NOTE I - NEW HANOVER TOWNSHIP POLICE PENSION PLAN**

**Plan Description**

The New Hanover Township Police Pension Plan is a single-employer defined benefit pension plans that provide retirement, disability and death benefits to plan members and their beneficiaries. Plan provisions are established by Township ordinance with the authority for contributions required by Act 205 of the Commonwealth of Pennsylvania. The plan is governed by the Board of Supervisors, who are responsible for the management of the plan assets. The Board of Supervisors has delegated the management of certain plan assets to an investment advisor. The assets of the Plan is invested separately, and each Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan.

**Benefits Provided**

The Township contributes to the New Hanover Township Police Pension Plan, which is a single-employer Public Employee Retirement System (PERS). All full-time members of the police force join the Plan upon completion of the first of the month coincident with or next following date of hire.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE I - NEW HANOVER TOWNSHIP POLICE PENSION PLAN (Continued)**

**Eligibility Requirements:**

Normal Retirement - Age 55 and 25 years of service.  
 Early Retirement - 20 years of service.

Vesting - None for the first 12 years of service; thereafter, 100%. If a member dies before the pension becomes vested, the surviving spouse or minor children shall receive repayment of the member's contributions, if any, plus interest.

**Retirement Benefit:** The monthly pension shall be 50% of the average compensation over the participant's last 36 months of employment plus an incremental pension of \$25 per month for each completed year of service in excess of 25 years up to a maximum of \$100 per month. The early retirement pension shall be the actuarial equivalent of a partial superannuation retirement benefit.

**Survivor Benefit:** A pension benefit shall be automatically provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, or if spouse subsequently dies, the benefit shall apply to children under age 18, or if attending college, under or attaining age 23.

**Pre-retirement:** If the death is not service related, the benefit shall be 50% of the accrued benefit that would have been paid had the participant retired on the date of death.

**Disability Benefit:** Service-Related - The monthly disability pension benefit shall be calculated at 50% of average monthly compensation up to the date of disability.

**Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the Police Pension Plan:

|  |                  |
|--|------------------|
| Inactive members or beneficiaries currently receiving benefits | 5                |
| Inactive members entitled to but not yet receiving benefits    | -                |
| Active members   | <u>10</u>        |
|  | <u><u>15</u></u> |

**Contributions**

Pennsylvania Act 205 requires that annual contributions to the Police Pension Plan be based upon the Police Pension Plan's Minimum Municipal Obligation (MMO) which is based on the Police Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are required to contribute 5.0% of annual compensation. The Township is required to contribute amounts necessary to fund the Police Pension Plan using the actuarial basis specified by statute.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE I - NEW HANOVER TOWNSHIP POLICE PENSION PLAN (Continued)**

**Net Pension Liability**

The Township's net pension liability was measured as of December 31, 2019 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

The components of the net pension liability of the Township at December 31, 2019, were as follows:

|   |                         |
|---|-------------------------|
| Total pension liability   | \$ 3,960,365            |
| Plan fiduciary net position   | <u>(3,896,382)</u>      |
| <b>NET PENSION LIABILITY</b>  | <b>\$ <u>63,983</u></b> |
| <br>Plan fiduciary net position as a percentage<br>of the total pension liability | <br><br><u>98.38%</u>   |

**Actuarial Assumptions**

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |                                     |
|--|-------------------------------------|
| Salary increases                       | 4.00%, average, including inflation |
| Investment rate of return              | 7.00%, including inflation          |
| Postretirement cost of living increase | none                                |

Mortality rates were based on the RP-2000 Table projected to 2017 using Scale AA for Males or Females, as appropriate.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE I - NEW HANOVER TOWNSHIP POLICE PENSION PLAN (Continued)**

The long-term expected rate of return on pension plan investments was determined using a 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ASSET CLASS          | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic equity      | 45%                          | 7.20 - 8.40%  |
| International equity | 12%                          | 8.40%   |
| Fixed income         | 37%                          | 2.50 - 4.70%  |
| Real estate          | 3%                           | 8.30%   |
| Cash                 | 3%                           | 1.70%   |
|                      | <u>100%</u>                  |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 7.0%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania Act 205 of 1984. Pennsylvania Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE I - NEW HANOVER TOWNSHIP POLICE PENSION PLAN (Continued)**

**Changes in Net Pension Liability**

The following table shows the changes in net pension liability for the year ended December 31, 2019.

|  | Increase/(Decrease)        |                                |                          |
|--|----------------------------|--------------------------------|--------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|  | (a)                        | (b)                            | (a)-(b)                  |
| BALANCE AT DECEMBER 31, 2018                                   | \$ 3,421,989               | \$ 3,236,434                   | \$ 185,555               |
| Changes for the year   |                            |                                |                          |
| Service cost   | 118,975                    | -                              | 118,975                  |
| Interest cost  | 263,347                    | -                              | 263,347                  |
| Changes for experience   | 286,211                    | -                              | 286,211                  |
| Contributions - employer                                       | -                          | 122,892                        | (122,892)                |
| Contributions - member   | -                          | 55,617                         | (55,617)                 |
| Net investment income  | -                          | 617,596                        | (617,596)                |
| Benefit payments, including refunds<br>of member contributions | (130,157)                  | (130,157)                      | -                        |
| Administrative expense   | -                          | (6,000)                        | 6,000                    |
| BALANCE AT DECEMBER 31, 2019                                   | <u>\$ 3,960,365</u>        | <u>\$ 3,896,382</u>            | <u>\$ 63,983</u>         |

**Net Pension Liability Sensitivity**

The following presents the net pension liability of the Police Pension Plan, calculated using the discount rate of 7.00%, as well as what the Police Pension Plan's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|                               | 1% Decrease<br>(6.00%) | Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|-------------------------------|------------------------|--------------------------|------------------------|
| NET PENSION LIABILITY (ASSET) | <u>\$ 596,390</u>      | <u>\$ 63,983</u>         | <u>\$ (378,558)</u>    |

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE I - NEW HANOVER TOWNSHIP POLICE PENSION PLAN (Continued)**

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

For the year ended December 31, 2019, the Township recognized pension expense of \$97,689. The Township has deferred outflows and inflows of resources related to the Police Pension Plan from the following source at December 31, 2019:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected and actual experience                                | \$ 262,616                                    | \$ -   |
| Net difference between projected and actual earnings on pension plan investments | <u>-</u>                                      | <u>133,951</u>                               |
| Total  | <u>\$ 262,616</u>                             | <u>\$ 133,951</u>                            |

Actuarially determined deferred outflows and inflows of resources related to the Police Pension Plan are as follows for the year ended December 31, 2019:

|            |            |
|------------|------------|
| 2020       | \$ (9,134) |
| 2021       | (9,136)    |
| 2022       | 33,446     |
| 2023       | (54,747)   |
| 2024       | 23,595     |
| Thereafter | 144,641    |

**NOTE J - NEW HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN**

**Plan Description**

The New Hanover Township Non-Uniformed (hired before June 1, 2016) Pension Plan is a single-employer defined benefit pension plans that provide retirement, disability and death benefits to plan members and their beneficiaries. Plan provisions are established by Township ordinance with the authority for contributions required by Act 205 of the Commonwealth of Pennsylvania. The plan is governed by the Board of Supervisors, who are responsible for the management of the plan assets. The Board of Supervisors has delegated the management of certain plan assets to an investment advisor. The assets of the Plan is invested separately, and each Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan.



**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE J - NEW HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN (Continued)**

**Benefits Provided**

For employees hired before June 1, 2016, the Township contributes to the New Hanover Township Non-Uniformed Pension Plan, which is a single employer Public Employee Retirement System (PERS). All employees become members of the Plan the first of the month coincident with or next following date of hire.

**Eligibility Requirements:**

Normal Retirement - Age 60.

Early Retirement - 20 years of service, actuarially reduced.

Vesting - 0% until 5 years of service are completed, 100% thereafter.

**Retirement Benefit.** The monthly pension shall be 2% of the average monthly compensation over the participant's last 36 months of service times years of service. The early retirement pension shall be the actuarial equivalent of a partial superannuation retirement benefit.

**Survivor Benefit.** Post-Retirement - The normal form for a married participant is an unreduced 50% benefit however, actuarially reduced optional benefits are available.

Pre-Retirement - If vested, the survivor benefit shall be calculated at 50% of the accrued benefit at time of death. Benefit is payable when the member would have been eligible to receive his benefit.

**Disability Benefit:**

**Service-Related** - The monthly disability pension benefit shall be calculated at 50% of the accrued benefit if eligible for Social Security disability benefits.

**Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the Non-Uniformed Pension Plan:

|  |             |
|--|-------------|
| Inactive members or beneficiaries currently receiving benefits | 13          |
| Inactive members entitled to but not yet receiving benefits    | 6           |
| Active members   | 10          |
|  | <hr/>       |
|  | 29          |
|  | <hr/> <hr/> |

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE J - NEW HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN (Continued)**

**Contributions**

Pennsylvania Act 205 requires that annual contributions to the Non-Uniformed Pension Plan be based upon the Non-Uniformed Pension Plan's MMO which is based on the Non-Uniformed Pension Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participant contributions are currently suspended. The Township is required to contribute amounts necessary to fund the Non-Uniformed Pension Plan using the actuarial basis specified by statute.

**Net Pension Liability (Asset)**

The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability (asset) was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

The components of the net pension liability (asset) of the Township at December 31, 2019, were as follows:

|   |                     |
|---|---------------------|
| Total pension liability   | \$ 3,620,976        |
| Plan fiduciary net position   | <u>(4,438,040)</u>  |
| NET PENSION LIABILITY (ASSET)   | <u>\$ (817,064)</u> |
| Plan fiduciary net position as a percentage<br>of the total pension liability (asset) | <u>122.56%</u>      |

**Actuarial Assumptions**

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                     |
|---------------------------|-------------------------------------|
| Salary increases          | 4.00%, average, including inflation |
| Investment rate of return | 7.0%, including inflation           |

Mortality rates were based on the RP-2000 Table projected to 2017 using Scale AA for males and females, as appropriate.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE J - NEW HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN (Continued)**

The long-term expected rate of return on pension plan investments was determined using a 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ASSET CLASS          | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic equity      | 45%                          | 7.20 - 8.40%  |
| International equity | 12%                          | 8.40%   |
| Fixed income         | 37%                          | 2.50 - 4.70%  |
| Real estate          | 3%                           | 8.30%   |
| Cash                 | 3%                           | 1.70%   |
|                      | <u>100%</u>                  |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The Non-Uniformed Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Non-Uniformed Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania Act 205 of 1984. Pennsylvania Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE J - NEW HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN (Continued)**

**Changes in Net Pension Liability (Asset)**

The following table shows the changes in net pension liability (asset) for the year ended December 31, 2019.

|  | Increase/(Decrease) |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | Total Pension       | Plan Fiduciary      | Net Pension         |
|  | Liability           | Net Position        | Liability (Asset)   |
|  | (a)                 | (b)                 | (a)-(b)             |
| BALANCE AT DECEMBER 31, 2018                                   | \$ 3,608,895        | \$ 3,773,030        | \$ (164,135)        |
| Changes for the year   |                     |                     |                     |
| Service cost   | 74,956              | -                   | 74,956              |
| Interest cost  | 242,069             | -                   | 242,069             |
| Changes for experience   | (146,496)           | -                   | (146,496)           |
| Contributions - employer                                       | -                   | 112,651             | (112,651)           |
| Net investment income  | -                   | 716,807             | (716,807)           |
| Benefit payments, including refunds<br>of member contributions | (158,448)           | (158,448)           | -                   |
| Administrative expense   | -                   | (6,000)             | 6,000               |
| BALANCE AT DECEMBER 31, 2019                                   | <u>\$ 3,620,976</u> | <u>\$ 4,438,040</u> | <u>\$ (817,064)</u> |

**Net Pension Liability (Asset) Sensitivity**

The following presents the net pension liability of the Non-Uniformed Pension Plan, calculated using the discount rate of 7.0% as well as what the Non-Uniformed Pension Plan's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

|                                      | 1% Decrease<br>(6.0%) | Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|--------------------------------------|-----------------------|-------------------------|-----------------------|
| PLAN'S NET PENSION LIABILITY (ASSET) | <u>\$ (453,177)</u>   | <u>\$ (817,064)</u>     | <u>\$ (1,125,777)</u> |

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE J - NEW HANOVER TOWNSHIP NON-UNIFORMED PENSION PLAN (Continued)**

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

For the year ended December 31, 2019, the Township recognized pension expense of (\$25,475). The Township has deferred outflows and inflows of resources related to the Non-Uniformed Pension Plan from the following sources at December 31, 2019:

|  | <u>Governmental Activities</u>                |  |
|--|---|--|
|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
| Difference between expected and actual experience                                | \$ -  | \$ 65,696                                    |
| Net difference between projected and actual earnings on pension plan investments | <u>-</u>                                      | <u>107,253</u>                               |
| Total  | <u>\$ -</u>                                   | <u>\$ 172,949</u>                            |

|  | <u>Business-Type Activities</u>               |  |
|--|---|--|
|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
| Difference between expected and actual experience                                | \$ -  | \$ 36,000                                    |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ -</u>                                   | <u>\$ 58,774</u>                             |
| Total  | <u>\$ -</u>                                   | <u>\$ 94,774</u>                             |

Actuarially determined deferred outflows and inflows of resources related to the Non-Uniformed Pension Plan are as follows for the year ended December 31, 2019:

| <u>Year Ending<br/>December 31,</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|-------------------------------------|------------------------------------|-------------------------------------|
| 2020                                | \$ (56,959)                        | \$ (31,213)                         |
| 2021                                | (56,960)                           | (31,214)                            |
| 2022                                | (53)                               | (29)                                |
| 2023                                | (58,977)                           | (32,318)                            |

**NEW HANOVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE K - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss.

**NOTE L - PRIOR PERIOD RESTATEMENT**

The Township implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

For the fiduciary fund custodial activities, the Township has treated the beginning of year net position of \$508,135 as having been recognized in the period incurred. The Township has adjusted beginning net position for their fiduciary activities from \$0 to \$508,135.

**NOTE M - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections and the collection of sewer charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Township having to reduce expenses.

Due to the pandemic, the financial markets have experienced significant market decline since the beginning of the year. These losses, if not regained, will have a significant detrimental impact on the value of the investments held by the Township's pension plans. Decreases in the value of investments held by the Plans may result in a significant impact on the pension liabilities and related deferred inflows and outflows related to the pension plans. At this point, the extent to which COVID-19 will impact our financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NEW HANOVER TOWNSHIP**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS - POLICE PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

|   | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL PENSION LIABILITY</b>                                      |                     |                     |                     |                     |
| Service cost  | \$ 118,975          | \$ 109,533          | \$ 105,320          | \$ 96,194           |
| Interest  | 263,347             | 226,809             | 210,117             | 217,389             |
| Changes for experience  | 286,211             | -                   | (360,156)           | -                   |
| Changes in assumptions  | -                   | -                   | 8,181               | -                   |
| Benefit payments, including refunds of member contributions         | <u>(130,157)</u>    | <u>(89,893)</u>     | <u>(72,495)</u>     | <u>(76,732)</u>     |
| NET CHANGE IN TOTAL PENSION LIABILITY                               | 538,376             | 246,449             | (109,033)           | 236,851             |
| Total pension liability, beginning                                  | <u>3,421,989</u>    | <u>3,175,540</u>    | <u>3,284,573</u>    | <u>3,047,722</u>    |
| TOTAL PENSION LIABILITY, ENDING                                     | <u>\$ 3,960,365</u> | <u>\$ 3,421,989</u> | <u>\$ 3,175,540</u> | <u>\$ 3,284,573</u> |
| <b>PLAN FIDUCIARY NET POSITION</b>                                  |                     |                     |                     |                     |
| Contributions - employer  | \$ 122,892          | \$ 142,965          | \$ 136,774          | \$ 164,884          |
| Contributions - member  | 55,617              | 59,353              | 52,501              | 46,468              |
| Net investment income   | 617,596             | (206,212)           | 411,372             | 198,718             |
| Benefit payments, including refunds of member contributions         | (130,157)           | (89,893)            | (72,495)            | (76,732)            |
| Other   | -                   | -                   | -                   | 720                 |
| Administrative expense  | <u>(6,000)</u>      | <u>(6,000)</u>      | <u>(6,050)</u>      | <u>-</u>            |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION                           | 659,948             | (99,787)            | 522,102             | 334,058             |
| Plan net position, beginning  | <u>3,236,434</u>    | <u>3,336,221</u>    | <u>2,814,119</u>    | <u>2,480,061</u>    |
| PLAN NET POSITION, ENDING   | <u>\$ 3,896,382</u> | <u>\$ 3,236,434</u> | <u>\$ 3,336,221</u> | <u>\$ 2,814,119</u> |
| TOWNSHIP'S NET PENSION LIABILITY                                    | <u>\$ 63,983</u>    | <u>\$ 185,555</u>   | <u>\$ (160,681)</u> | <u>\$ 470,454</u>   |
| PLAN NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY    | <u>98.38%</u>       | <u>94.58%</u>       | <u>105.06%</u>      | <u>85.68%</u>       |
| COVERED PAYROLL   | <u>\$ 1,174,692</u> | <u>\$ 1,047,246</u> | <u>\$ 915,810</u>   | <u>\$ 788,104</u>   |
| TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL | <u>5.45%</u>        | <u>17.72%</u>       | <u>-17.55%</u>      | <u>59.69%</u>       |

**NOTES TO SCHEDULE**

Changes in assumptions - In 2017 the mortality assumption was changed to the RP2000 Mortality Table projected to 2017 using Scale AA to reflect an update in expectation for retired life mortality

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those year, for which information is available, is shown.



**NEW HANOVER TOWNSHIP**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

|   | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL PENSION LIABILITY</b>                                      |                     |                     |                     |                     |
| Service cost  | \$ 74,956           | \$ 119,075          | \$ 114,495          | \$ 101,884          |
| Interest  | 242,069             | 241,124             | 227,175             | 225,536             |
| Changes for experience  | (146,496)           | -                   | (198,853)           | -                   |
| Changes in assumptions  | -                   | -                   | 9,984               | -                   |
| Benefit payments, including refunds of member contributions         | <u>(158,448)</u>    | <u>(153,721)</u>    | <u>(140,219)</u>    | <u>(115,294)</u>    |
| NET CHANGE IN TOTAL PENSION LIABILITY                               | 12,081              | 206,478             | 12,582              | 212,126             |
| Total pension liability, beginning                                  | <u>3,608,895</u>    | <u>3,402,417</u>    | <u>3,389,835</u>    | <u>3,177,709</u>    |
| TOTAL PENSION LIABILITY, ENDING                                     | <u>\$ 3,620,976</u> | <u>\$ 3,608,895</u> | <u>\$ 3,402,417</u> | <u>\$ 3,389,835</u> |
| <b>PLAN FIDUCIARY NET POSITION</b>                                  |                     |                     |                     |                     |
| Contributions - employer  | \$ 112,651          | \$ 76,117           | \$ 97,681           | \$ 168,203          |
| Net investment income (loss)  | 716,807             | (234,430)           | 526,442             | 269,002             |
| Benefit payments, including refunds of member contributions         | (158,448)           | (153,721)           | (140,219)           | (115,294)           |
| Other   | -                   | -                   | -                   | 88                  |
| Administrative expense  | <u>(6,000)</u>      | <u>(6,000)</u>      | <u>(6,050)</u>      | <u>-</u>            |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION                           | 665,010             | (318,034)           | 477,854             | 321,999             |
| Plan net position, beginning  | <u>3,773,030</u>    | <u>4,091,064</u>    | <u>3,613,210</u>    | <u>3,291,211</u>    |
| PLAN NET POSITION, ENDING   | <u>\$ 4,438,040</u> | <u>\$ 3,773,030</u> | <u>\$ 4,091,064</u> | <u>\$ 3,613,210</u> |
| TOWNSHIP'S NET PENSION LIABILITY                                    | <u>\$ (817,064)</u> | <u>\$ (164,135)</u> | <u>\$ (688,647)</u> | <u>\$ (223,375)</u> |
| PLAN NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY    | <u>122.56%</u>      | <u>104.55%</u>      | <u>120.24%</u>      | <u>106.59%</u>      |
| COVERED PAYROLL   | <u>\$ 625,594</u>   | <u>\$ 619,839</u>   | <u>\$ 779,589</u>   | <u>\$ 868,276</u>   |
| TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL | <u>-130.61%</u>     | <u>-26.48%</u>      | <u>-88.33%</u>      | <u>-25.73%</u>      |

**NOTES TO SCHEDULE**

Changes in assumptions - In 2017 the mortality assumption was changed to the RP2000 Mortality Table projected to 2017 using Scale AA to reflect an update in expectation for retired life mortality

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those year, for which information is available, is shown.

**NEW HANOVER TOWNSHIP**  
**SCHEDULE OF PENSION CONTRIBUTIONS -**  
**POLICE PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

|   | 2019                | 2018                | 2017              | 2016              |
|---|---------------------|---------------------|-------------------|-------------------|
| Actuarially determined contribution                                 | \$ 108,728          | \$ 142,965          | \$ 136,774        | \$ 164,864        |
| Contribution in relation to the actuarially determined contribution | <u>122,892</u>      | <u>142,965</u>      | <u>136,774</u>    | <u>164,864</u>    |
| CONTRIBUTION (EXCESS)<br>DEFICIENCY                                 | <u>\$ (14,164)</u>  | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ -</u>       |
| Covered payroll   | <u>\$ 1,174,692</u> | <u>\$ 1,047,245</u> | <u>\$ 915,810</u> | <u>\$ 788,104</u> |
| Contribution as a percentage of covered payroll                     | <u>10.46%</u>       | <u>13.65%</u>       | <u>14.93%</u>     | <u>20.92%</u>     |

**NOTES TO SCHEDULE**

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report. The January 1, 2017 actuarial valuation report was utilized for the 2019 Minimum Municipal Obligation calculation. The January 1, 2015 actuarial valuation report was utilized for the 2018 and 2017 Minimum Municipal Obligation calculation. The January 1, 2013 actuarial valuation report was utilized for the 2016 Minimum Municipal Obligation calculation. The following actuarial methods and assumptions were used to determine contribution

Methods and assumptions used to determine contribution rates are as follows:

|                               | 1/1/2017         | 1/1/2015         | 1/1/2013         |
|-------------------------------|------------------|------------------|------------------|
| Actuarial valuation date      | 1/1/2017         | 1/1/2015         | 1/1/2013         |
| Actuarial cost method         | Entry age normal | Entry age normal | Entry age normal |
| Amortization method           | Level dollar     | Level dollar     | Level dollar     |
| Remaining amortization period | 4 years          | 11 years         | 11 years         |
| Asset valuation method        | Market           | Market           | Market           |
| Salary increases              | 4.00%            | 4.00%            | 4.00%            |
| Investment rate of return     | 7.00%            | 7.00%            | 7.00%            |
| Retirement age                | 55               | 55               | 55               |
| Mortality                     | RP2000           | RP2000           | RP2000           |

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those year, for which information is available, is shown.

**NEW HANOVER TOWNSHIP**  
**SCHEDULE OF PENSION CONTRIBUTIONS -**  
**NON-UNIFORMED PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

|   | 2019               | 2018              | 2017              | 2016              |
|---|--------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution                                 | \$ 58,037          | \$ 76,117         | \$ 97,681         | \$ 168,203        |
| Contribution in relation to the actuarially determined contribution | <u>112,651</u>     | <u>76,117</u>     | <u>97,681</u>     | <u>168,203</u>    |
| CONTRIBUTION (EXCESS) DEFICIENCY                                    | <u>\$ (54,614)</u> | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| Covered payroll   | <u>\$ 625,594</u>  | <u>\$ 619,839</u> | <u>\$ 779,589</u> | <u>\$ 868,276</u> |
| Contribution as a percentage of covered payroll                     | <u>18.01%</u>      | <u>12.28%</u>     | <u>12.53%</u>     | <u>19.37%</u>     |

**NOTES TO SCHEDULE**

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report. The January 1, 2017 actuarial valuation report was utilized for the 2019 Minimum Municipal Obligation calculation. The January 1, 2015 actuarial valuation report was utilized for the 2018 and 2017 Minimum Municipal Obligation calculation. The January 1, 2013 actuarial valuation report was utilized for the 2016 Minimum Municipal Obligation calculation. The following actuarial methods and assumptions were used to determine contribution

Methods and assumptions used to determine contribution rates are as follows:

|                               | 1/1/2017         | 1/1/2015         | 1/1/2013         |
|-------------------------------|------------------|------------------|------------------|
| Actuarial valuation date      | Entry age normal | Entry age normal | Entry age normal |
| Actuarial cost method         | Level dollar     | Level dollar     | Level dollar     |
| Amortization method           | None             | None             | 12 years         |
| Remaining amortization period | Market           | Market           | Market           |
| Asset valuation method        | 4.00%            | 4.00%            | 4.00%            |
| Salary increases              | 7.00%            | 7.00%            | 7.00%            |
| Investment rate of return     | 60               | 60               | 60               |
| Retirement age                | RP2000           | RP2000           | RP2000           |
| Mortality                     |                  |                  |                  |

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those year, for which information is available, is shown.

**NEW HANOVER TOWNSHIP**  
**SCHEDULE OF PENSION PLAN INVESTMENT RETURNS -**  
**POLICE PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

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|   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   |
|---|---------------|---------------|---------------|
| Annual money-weighted rate of return, net of investment expense | <u>19.19%</u> | <u>-6.17%</u> | <u>14.63%</u> |

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those year, for which information is available, is shown.

**NEW HANOVER TOWNSHIP**  
**SCHEDULE OF PENSION PLAN INVESTMENT RETURNS -**  
**NON-UNIFORMED PENSION PLAN**  
**LAST TEN FISCAL YEARS\***

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|   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   |
|---|---------------|---------------|---------------|
| Annual money-weighted rate of return, net of investment expense | <u>19.35%</u> | <u>-5.84%</u> | <u>14.84%</u> |

\* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those year, for which information is available, is shown.

**NEW HANOVER TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

|   | Budgeted Amounts  |                   | Actual<br>Amounts   | Variance with<br>Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
|   | Original          | Final             |                     |                               |
| <b>REVENUES</b>   |                   |                   |                     |                               |
| Taxes   |                   |                   |                     |                               |
| Real estate   | \$ 693,250        | \$ 693,250        | \$ 702,505          | \$ 9,255                      |
| Real estate transfer  | 417,250           | 417,250           | 549,122             | 131,872                       |
| Per capita  | 39,500            | 39,500            | 39,392              | (108)                         |
| Earned income   | 2,112,500         | 2,112,500         | 2,209,654           | 97,154                        |
| Local services  | 10,000            | 10,000            | 11,540              | 1,540                         |
| Licenses and permits  | 254,750           | 254,750           | 230,739             | (24,011)                      |
| Fines and forfeits  | 75,000            | 75,000            | 53,713              | (21,287)                      |
| Interest and rents  | 60,000            | 60,000            | 96,845              | 36,845                        |
| Intergovernmental revenues  | 180,500           | 180,500           | 200,038             | 19,538                        |
| Charges for services  | 264,500           | 264,500           | 313,444             | 48,944                        |
| Miscellaneous   | -                 | -                 | 15,281              | 15,281                        |
| <b>TOTAL REVENUES</b>   | <u>4,107,250</u>  | <u>4,107,250</u>  | <u>4,422,273</u>    | <u>315,023</u>                |
| <b>EXPENDITURES</b>   |                   |                   |                     |                               |
| General government  | 828,240           | 828,240           | 1,123,952           | (295,712)                     |
| Public Safety   |                   |                   |                     |                               |
| Police  | 1,854,300         | 1,854,300         | 1,712,108           | 142,192                       |
| Code enforcement, planning, zoning                                  | 212,250           | 212,250           | 279,122             | (66,872)                      |
| Public works - highway and streets                                  | 870,250           | 870,250           | 854,449             | 15,801                        |
| Culture and recreation  | 10,650            | 10,650            | 10,650              | -                             |
| Insurance   | 26,500            | 26,500            | 28,292              | (1,792)                       |
| Miscellaneous   | -                 | -                 | 7,872               | (7,872)                       |
| <b>TOTAL EXPENDITURES</b>   | <u>3,802,190</u>  | <u>3,802,190</u>  | <u>4,016,445</u>    | <u>(214,255)</u>              |
| <b>EXCESS (DEFICIENCY) OF<br/>OF REVENUES OVER<br/>EXPENDITURES</b> |                   |                   |                     |                               |
|   | <u>305,060</u>    | <u>305,060</u>    | <u>405,828</u>      | <u>100,768</u>                |
| <b>OTHER FINANCING SOURCES</b>                                      |                   |                   |                     |                               |
| Transfers out   | <u>(100,000)</u>  | <u>(100,000)</u>  | <u>(116,995)</u>    | <u>(16,995)</u>               |
| <b>NET CHANGE IN FUND<br/>BALANCE</b>                               |                   |                   |                     |                               |
|   | <u>\$ 205,060</u> | <u>\$ 205,060</u> | 288,833             | <u>\$ 83,773</u>              |
| <b>FUND BALANCE AT BEGINNING OF YEAR</b>                            |                   |                   |                     |                               |
|   |                   |                   | <u>3,449,528</u>    |                               |
| <b>FUND BALANCE AT END OF<br/>YEAR</b>                              |                   |                   |                     |                               |
|   |                   |                   | <u>\$ 3,738,361</u> |                               |

**NEW HANOVER TOWNSHIP**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**

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**NOTE A - BUDGET MATTERS**

The Board of Supervisors annually adopts the budget for the General and Other Funds of the Township. Budgetary control is legally maintained at the fund level. The Township's budget policy provides transfer authority to the Supervisors within and between categories as long as the total budget of the Township (net of interfund transfers) is not increased. All budget amounts presented in the accompanying financial statements and additional information have been adjusted for legally authorized revisions to the annual budgets during the year.

The Second Class Township Code provides for the modification of the budget and supplemental appropriations and transfers.

Appropriations, except open project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

## **SUPPLEMENTARY INFORMATION SECTION**



**NEW HANOVER TOWNSHIP**  
**COMBINING BALANCE SHEET -**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

|   | Special Revenue Funds     |                          |                            |                          |
|---|---------------------------|--------------------------|----------------------------|--------------------------|
|   | Fire<br>Protection<br>Tax | Recreation               | Transportation<br>Impact   | State<br>Highway<br>Aid  |
| <b>ASSETS</b>   |                           |                          |                            |                          |
| Cash  | \$ 45,090                 | \$ 210,920               | \$ 2,047,746               | \$ 210,862               |
| Taxes receivable  | <u>7,528</u>              | <u>4,369</u>             | <u>-</u>                   | <u>-</u>                 |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 52,618</u></b>   | <b><u>\$ 215,289</u></b> | <b><u>\$ 2,047,746</u></b> | <b><u>\$ 210,862</u></b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>                   |                           |                          |                            |                          |
| <b>LIABILITIES</b>  |                           |                          |                            |                          |
| Accounts payable  | \$ 3,153                  | \$ 615                   | \$ 1,173                   | \$ -                     |
| Accrued wages   | <u>-</u>                  | <u>1,783</u>             | <u>-</u>                   | <u>-</u>                 |
| <b>TOTAL LIABILITIES</b>  | <b><u>3,153</u></b>       | <b><u>2,398</u></b>      | <b><u>1,173</u></b>        | <b><u>-</u></b>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                           |                          |                            |                          |
| Unavailable revenue, property taxes   | <u>3,873</u>              | <u>2,247</u>             | <u>-</u>                   | <u>-</u>                 |
| <b>FUND BALANCES</b>  |                           |                          |                            |                          |
| <b>Restricted</b>   |                           |                          |                            |                          |
| Fire Protection   | 45,592                    | -                        | -                          | -                        |
| Recreation  | -                         | 210,644                  | -                          | -                        |
| Traffic impact  | -                         | -                        | 2,046,573                  | -                        |
| State Highway Aid   | -                         | -                        | -                          | 210,862                  |
| Capital projects  | -                         | -                        | -                          | -                        |
| <b>Assigned</b>   |                           |                          |                            |                          |
| Capital projects  | <u>-</u>                  | <u>-</u>                 | <u>-</u>                   | <u>-</u>                 |
| <b>TOTAL FUND BALANCES</b>  | <b><u>45,592</u></b>      | <b><u>210,644</u></b>    | <b><u>2,046,573</u></b>    | <b><u>210,862</u></b>    |
| <b>TOTAL LIABILITIES,<br/>DEFERRED INFLOWS<br/>OF RESOURCES AND<br/>FUND BALANCES</b> | <b><u>\$ 52,618</u></b>   | <b><u>\$ 215,289</u></b> | <b><u>\$ 2,047,746</u></b> | <b><u>\$ 210,862</u></b> |

| <u>Capital Project Funds</u> |                   |                   | <u>Total Other</u>  |
|------------------------------|-------------------|-------------------|---------------------|
| <u>Road</u>                  | <u>Capital</u>    | <u>Recreation</u> | <u>Governmental</u> |
| <u>Equipment</u>             | <u>Reserve</u>    | <u>Reserve</u>    | <u>Funds</u>        |
| \$ 760,969                   | \$ 292,670        | \$ 46,231         | \$ 3,614,488        |
| <u>3,401</u>                 | <u>-</u>          | <u>-</u>          | <u>15,298</u>       |
| \$ <u>764,370</u>            | \$ <u>292,670</u> | \$ <u>46,231</u>  | \$ <u>3,629,786</u> |
| <br>                         |                   |                   |                     |
| \$ 201,980                   | \$ -              | \$ 4,414          | \$ 211,335          |
| <u>-</u>                     | <u>-</u>          | <u>-</u>          | <u>1,783</u>        |
| <u>201,980</u>               | <u>-</u>          | <u>4,414</u>      | <u>213,118</u>      |
| <br>                         |                   |                   |                     |
| <u>1,749</u>                 | <u>-</u>          | <u>-</u>          | <u>7,869</u>        |
| <br>                         |                   |                   |                     |
| -                            | -                 | -                 | 45,592              |
| -                            | -                 | -                 | 210,644             |
| -                            | -                 | -                 | 2,046,573           |
| -                            | -                 | -                 | 210,862             |
| 560,641                      | -                 | -                 | 560,641             |
| <br>                         |                   |                   |                     |
| <u>-</u>                     | <u>292,670</u>    | <u>41,817</u>     | <u>334,487</u>      |
| <u>560,641</u>               | <u>292,670</u>    | <u>41,817</u>     | <u>3,408,799</u>    |
| <br>                         |                   |                   |                     |
| \$ <u>764,370</u>            | \$ <u>292,670</u> | \$ <u>46,231</u>  | \$ <u>3,629,786</u> |

**NEW HANOVER TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

|  | Special Revenue Funds     |                   |                          |                         |
|--|---------------------------|-------------------|--------------------------|-------------------------|
|  | Fire<br>Protection<br>Tax | Recreation        | Transportation<br>Impact | State<br>Highway<br>Aid |
| <b>REVENUES</b>  |                           |                   |                          |                         |
| Taxes  |                           |                   |                          |                         |
| Real estate  | \$ 227,324                | \$ 130,803        | \$ -                     | \$ -                    |
| Interest and rents   | 2,832                     | 12,084            | 33,442                   | 4,629                   |
| Intergovernmental revenues                                       | 77,148                    | 5,120             | -                        | 490,699                 |
| Charges for services   | -                         | 74,202            | -                        | -                       |
| Miscellaneous  | 24,610                    | -                 | 170,850                  | -                       |
| <b>TOTAL REVENUES</b>  | <u>331,914</u>            | <u>222,209</u>    | <u>204,292</u>           | <u>495,328</u>          |
| <b>EXPENDITURES</b>  |                           |                   |                          |                         |
| General government   | -                         | -                 | -                        | -                       |
| Public safety  |                           |                   |                          |                         |
| Police   | -                         | -                 | -                        | -                       |
| Fire   | 323,225                   | -                 | -                        | -                       |
| Public works - highway<br>and streets                            | -                         | -                 | 64,459                   | 302,357                 |
| Culture and recreation   | -                         | 202,603           | -                        | -                       |
| <b>TOTAL EXPENDITURES</b>  | <u>323,225</u>            | <u>202,603</u>    | <u>64,459</u>            | <u>302,357</u>          |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER<br/>EXPENDITURES</b> | <u>8,689</u>              | <u>19,606</u>     | <u>139,833</u>           | <u>192,971</u>          |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                        |                           |                   |                          |                         |
| Transfers in   | -                         | -                 | -                        | 16,995                  |
| Transfers out  | -                         | (40,000)          | -                        | -                       |
| Sale of general capital assets                                   | -                         | -                 | -                        | -                       |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                  | <u>-</u>                  | <u>(40,000)</u>   | <u>-</u>                 | <u>16,995</u>           |
| <b>NET CHANGE IN FUND<br/>BALANCES</b>                           | 8,689                     | (20,394)          | 139,833                  | 209,966                 |
| <b>FUND BALANCES AT BEGINNING<br/>OF YEAR</b>                    | <u>36,903</u>             | <u>231,038</u>    | <u>1,906,740</u>         | <u>896</u>              |
| <b>FUND BALANCES AT END<br/>OF YEAR</b>                          | <u>\$ 45,592</u>          | <u>\$ 210,644</u> | <u>\$ 2,046,573</u>      | <u>\$ 210,862</u>       |

Capital Project Funds

| <u>Road<br/>Equipment</u> | <u>Capital<br/>Reserve</u> | <u>Recreation<br/>Reserve</u> | <u>Total Other<br/>Governmental<br/>Funds</u> |
|---------------------------|----------------------------|-------------------------------|---|
| \$ 104,089                | \$ -                       | \$ -                          | \$ 462,216                                    |
| 14,043                    | 6,529                      | 2,161                         | 75,720  |
| -                         | -                          | -                             | 572,967                                       |
| -                         | -                          | -                             | 74,202  |
| -                         | -                          | -                             | 195,460                                       |
| <u>118,132</u>            | <u>6,529</u>               | <u>2,161</u>                  | <u>1,380,565</u>                              |
| -                         | -                          | 146,331                       | 146,331                                       |
| -                         | 79,663                     | -                             | 79,663  |
| -                         | -                          | -                             | 323,225                                       |
| 219,822                   | -                          | -                             | 586,638                                       |
| -                         | -                          | -                             | 202,603                                       |
| <u>219,822</u>            | <u>79,663</u>              | <u>146,331</u>                | <u>1,338,460</u>                              |
| <u>(101,690)</u>          | <u>(73,134)</u>            | <u>(144,170)</u>              | <u>42,105</u>                                 |
| -                         | 100,000                    | 40,000                        | 156,995                                       |
| -                         | -                          | -                             | (40,000)                                      |
| <u>16,670</u>             | <u>1,405</u>               | <u>5,000</u>                  | <u>23,075</u>                                 |
| <u>16,670</u>             | <u>101,405</u>             | <u>45,000</u>                 | <u>140,070</u>                                |
| (85,020)                  | 28,271                     | (99,170)                      | 182,175                                       |
| <u>645,661</u>            | <u>264,399</u>             | <u>140,987</u>                | <u>3,226,624</u>                              |
| <u>\$ 560,641</u>         | <u>\$ 292,670</u>          | <u>\$ 41,817</u>              | <u>\$ 3,408,799</u>                           |

**NEW HANOVER TOWNSHIP**  
**COMBINING SCHEDULE OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

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|  | Pension Trust Funds              |                             | Total<br>Pension<br>Trust Funds |
|--|----------------------------------|-----------------------------|---------------------------------|
|  | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund   |                                 |
| <b>ASSETS</b>                                  |                                  |                             |                                 |
| Cash and cash equivalents                      | \$ 196,176                       | \$ 202,527                  | \$ 398,703                      |
| Investments                                    |                                  |                             |                                 |
| Equity mutual funds                            | 2,557,314                        | 2,238,014                   | 4,795,328                       |
| Fixed income mutual funds                      | 1,559,559                        | 1,343,246                   | 2,902,805                       |
| Real estate mutual funds                       | 124,991                          | 109,872                     | 234,863                         |
| Receivables                                    | -                                | 2,723                       | 2,723                           |
|  | <u>                    </u>      | <u>                    </u> | <u>                    </u>     |
| TOTAL ASSETS                                   | \$ <u>4,438,040</u>              | \$ <u>3,896,382</u>         | \$ <u>8,334,422</u>             |
| <b>NET POSITION</b>                            |                                  |                             |                                 |
| Held in trust for Pension<br>and OPEB benefits | \$ <u>4,438,040</u>              | \$ <u>3,896,382</u>         | \$ <u>8,334,422</u>             |

**NEW HANOVER TOWNSHIP**  
**COMBINING SCHEDULE OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

|  | Pension Trust Funds              |                           | Total<br>Pension<br>Trust Funds |
|--|----------------------------------|---------------------------|---------------------------------|
|  | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund |                                 |
| <b>ADDITIONS</b>   |                                  |                           |                                 |
| Contributions  |                                  |                           |                                 |
| Member contributions                                       | \$ -                             | \$ 55,617                 | \$ 55,617                       |
| Employer contributions                                     | 112,651                          | 122,892                   | 235,543                         |
| <b>TOTAL CONTRIBUTIONS</b>                                 | <u>112,651</u>                   | <u>178,509</u>            | <u>291,160</u>                  |
| Investment earnings  |                                  |                           |                                 |
| Dividends  | 136,897                          | 119,032                   | 255,929                         |
| Net increase in the fair value of<br>investments           | 593,734                          | 510,513                   | 1,104,247                       |
| <b>TOTAL INVESTMENT<br/>      EARNINGS</b>                 | <u>730,631</u>                   | <u>629,545</u>            | <u>1,360,176</u>                |
| Less investment expense                                    | (13,824)                         | (11,949)                  | (25,773)                        |
| <b>INVESTMENT<br/>    EARNINGS, net</b>                    | <u>716,807</u>                   | <u>617,596</u>            | <u>1,334,403</u>                |
| <b>TOTAL ADDITIONS</b>                                     | <u>829,458</u>                   | <u>796,105</u>            | <u>1,625,563</u>                |
| <b>DEDUCTIONS</b>  |                                  |                           |                                 |
| Benefits   | 158,448                          | 130,157                   | 288,605                         |
| Administrative expense                                     | 6,000                            | 6,000                     | 12,000                          |
| <b>TOTAL DEDUCTIONS</b>                                    | <u>164,448</u>                   | <u>136,157</u>            | <u>300,605</u>                  |
| <b>CHANGE IN NET POSITION</b>                              | 665,010                          | 659,948                   | 1,324,958                       |
| <b>NET POSITION HELD IN TRUST AT<br/>BEGINNING OF YEAR</b> | <u>3,773,030</u>                 | <u>3,236,434</u>          | <u>7,009,464</u>                |
| <b>NET POSITION HELD IN TRUST<br/>      AT END OF YEAR</b> | <u>\$ 4,438,040</u>              | <u>\$ 3,896,382</u>       | <u>\$ 8,334,422</u>             |