

WARRINGTON TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2019

WARRINGTON TOWNSHIP
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Independent Auditor's Report

To the Board of Supervisors
Warrington Township, 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 Warrington Township, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Warrington Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Warrington Township as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

As discussed in Note 15, subsequent events may lead the tax revenues to have a significant impact on the operations of Warrington Township. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2019 the Township adopted the provisions of Governmental Accounting Standards Board's (GASB) Statement No. 83, "*Certain Asset Retirement Obligations*," Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*," Statement No. 90, "*Majority Equity Issues – an amendment of GASB Statements No. 14 and No. 61*," and Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*." Our opinion is not modified with respect to these matters.

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401
210 Tollgate Hill Road, Greensburg, PA 15601



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To the Board of Supervisors
Warrington Township, Pennsylvania

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 49, and pension and OPEB plan information on pages 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warrington Township's basic financial statements. The combining and individual nonmajor fund and combining fiduciary funds financial statements and the Schedule of Expenditures of Federal Awards, required by the audit requirements of Title 2, *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (other supplementary information), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund and combining fiduciary funds financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020 on our consideration of Warrington Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Warrington Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warrington Township's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
September 3, 2020, except for Note 14, which is as of October 1, 2020

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

- The assets of Warrington Township exceeded its liabilities at the close of the most recent fiscal year by \$52.9 million (net position). The Township's total net position decreased by \$18.4 million.
- As of the close of the current fiscal year, Warrington Township's Governmental Funds reported combined ending fund balances of \$28.5 million. Approximately \$5.0 million of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.8 million or 42.6% of General Fund expenditures.
- Warrington Township's net total debt decreased by \$10.4 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental Funds

Warrington Township maintains eight individual major Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Utility Proceeds Fund, Tax Rate Stabilization Fund, Open Space Fund, 2019 Capital Projects Fund, 2016 Capital Projects Fund, Capital Reserve Fund, and Debt Service Fund, which are considered major funds. Individual fund data for each of the four nonmajor Governmental Funds is provided in the form of *combining statements* elsewhere in this report.

Other Information

The combining statements referred to earlier in connection with nonmajor Governmental Funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 57 to 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of Warrington Township, assets exceeded liabilities by \$52.9 million at the close of the most recent fiscal year.

The largest portion of Warrington Township's net position (61.5%) is net investment in capital assets.

Governmental Activities

Governmental activities increased Warrington Township's net position by \$15.3 million.

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

TABLE 1
CONDENSED STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 31,433,506	\$ 10,831,230	\$ 9,871,431	\$ 7,757,910	\$ 41,304,937	\$ 18,589,140
Capital Assets						
Depreciable	40,322,308	38,627,643	-	43,953,667	40,322,308	82,581,310
Nondepreciable	12,610,160	10,632,219	-	9,019,025	12,610,160	19,651,244
Total Assets	84,365,974	60,091,092	9,871,431	60,730,602	94,237,405	120,821,694
Deferred Outflows of Resources						
Deferred Outflows Related to OPEB	117,229	231,631	-	-	117,229	231,631
Deferred Outflows Related to Pensions	2,057,558	2,256,199	68,431	279,432	2,125,989	2,535,631
Liabilities						
Long-Term Liabilities Outstanding	38,395,856	32,579,861	21,655	16,301,340	38,417,511	48,881,201
Other Liabilities	2,845,091	1,917,517	261,559	1,431,801	3,106,650	3,349,318
Total Liabilities	41,240,947	34,497,378	283,214	17,733,141	41,524,161	52,230,519
Deferred Inflows of Resources						
Deferred Gain on Defeasance of Debt	37,650	34,745	-	40,964	37,650	75,709
Deferred Inflows Related to OPEB	1,012,789	-	-	-	-	-
Deferred Inflows Related to Pensions	948,176	38,472	30,678	38,472	978,854	76,944
Total Deferred Inflows of Resources	1,998,615	73,217	30,678	79,436	1,016,504	152,653
Net Position						
Net Investment in Capital Assets	32,498,322	19,301,080	-	36,923,349	32,498,322	56,224,429
Restricted	23,501,289	2,765,400	-	-	23,501,289	2,765,400
Unrestricted	(12,698,412)	5,941,847	9,625,970	6,274,109	(3,072,442)	12,215,956
Total Net Position	\$ 43,301,199	\$ 28,008,327	\$ 9,625,970	\$ 43,197,458	\$ 52,927,169	\$ 71,205,785

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

TABLE 2
CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenue						
Charges for Services	\$ 2,283,953	\$ 1,739,231	\$ 7,258,608	\$ 8,439,028	\$ 9,542,561	\$ 10,178,259
Operating Grants and Contributions	1,619,104	1,344,389	1,048,539	1,858,944	2,667,643	3,203,333
Capital Grants and Contributions	-	1,546,993	557,154	-	557,154	1,546,993
General Revenue						
Taxes	11,276,928	10,969,895	-	-	11,276,928	10,969,895
Grants & Contributions Not Restricted to Specific Programs	7,050	-	-	672,010	7,050	672,010
Investment Earnings	684,828	525,496	153,600	128,336	838,428	653,832
Miscellaneous	2,273,019	1,445,163	4,744	9,174	2,277,763	1,454,337
Gain on Disposal of Assets	21,670	108,212	-	-	21,670	108,212
Total Revenue	18,166,552	17,679,379	9,022,645	11,107,492	27,189,197	28,786,871
Expenditures						
Administration	3,965,668	2,417,480	-	-	3,965,668	2,417,480
Police Department	7,151,044	8,822,904	-	-	7,151,044	8,822,904
Highway/Public Works	3,609,585	3,031,591	-	-	3,609,585	3,031,591
Health, Welfare and Sanitation	168,215	150,892	-	-	168,215	150,892
Culture and Recreation	1,218,232	606,988	-	-	1,218,232	606,988
Interest on Long-Term Debt	980,981	526,329	-	-	980,981	526,329
Water and Sewer	-	-	10,349,249	10,093,404	10,349,249	10,093,404
Total Expenditures	17,093,725	15,556,184	10,349,249	10,093,404	27,442,974	25,649,588
Change in Net Position Before Transfers	1,072,827	2,123,195	(1,326,604)	1,014,088	(253,777)	3,137,283
Loss on Disposal of Assets	-	-	(18,144,604)	-	(18,144,604)	-
Transfers	14,100,280	153,000	(14,100,280)	(153,000)	-	-
Change in Net Position	15,173,107	2,276,195	(33,571,488)	861,088	(18,398,381)	3,137,283
Net Position at Beginning of Year	28,008,327	25,732,132	43,197,458	42,336,370	71,205,785	68,068,502
Restatement	119,765	-	-	-	119,765	-
Net Position at Beginning of Year, As Restated	28,128,092	25,732,132	43,197,458	42,336,370	71,325,550	68,068,502
Net Position at End of Year	\$ 43,301,199	\$ 28,008,327	\$ 9,625,970	\$ 43,197,458	\$ 52,927,169	\$ 71,205,785

WARRINGTON TOWNSHIP
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 DECEMBER 31, 2019

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Funds

As of the end of the current fiscal year, Warrington Township's Governmental Funds reported combined ending fund balances of \$28.5 million, an increase of \$20.5 million in comparison with the prior year.

The General Fund is the chief operating fund of Warrington Township. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned and total fund balance to total fund expenditures. Total fund balance represents 42.6% of total General Fund expenditures.

The fund balance of Warrington Township's General Fund increased by \$1.2 million during the current fiscal year.

Proprietary Fund

Warrington Township's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$9.6 million. The activity in net position was a decrease of \$33.6 million due to the sale of both the Water and Sewer Systems in 2019.

General Fund Budgetary Highlights

The following is a summarized snapshot analysis of noteworthy budgetary highlights relating to all revenues and expenditures comprising the 2019 Township Budget:

Revenues - Warrington Township was able to post strong overall revenues in most major operating categories:

- The Earned Income Tax (EIT), which represents approximately 32.5% of all General Fund operating revenues, posted total revenues of \$5.1 million, more than a \$178,000 over the budgeted amount \$4.9 million.
- The Real Estate Transfer Tax revenue amounted to \$903,474, a decrease of approximately \$94,090 as compared to the 2019 budget.
- Charges for Services which derives its revenues primarily from permits for residential and commercial development saw an increase in 2019. Revenue totaled \$2.3 million as compared to the \$1.8 million budgeted.

Fees & Fines were over budget by \$20,000.

Expenditures - General Fund expenditures totaled \$13.6 million, representing an amount of \$26,284 under budget.

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Warrington Township's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$52.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, parks facilities, roads, highways and bridges, vehicles, machinery and equipment. The total decrease in Warrington Township's investment in capital assets for the current fiscal year was 25.7%, primarily due to the sale of the water and sewer systems.

The following comprise major project expenditures in 2019:

- Street Repaving: 4 miles totaled \$1,370,649
- Police Station design and construction implementation \$2,125,325
- Warrington Village Storm Drainage Project - \$342,477
- Open Space: Construction of Lions Pride Park – Phase I - \$1,011,880
- Police patrol and Command staff vehicles, a Backhoe for Public Works and other department vehicles and equipment were purchased or leased for a total of \$557,853

**TABLE 3
CAPITAL ASSETS (NET OF DEPRECIATION)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
Capital Assets						
Land and Improvements	\$ 6,806,378	\$ 4,994,027	\$ -	\$ 161,764	\$ 6,806,378	\$ 5,155,791
Infrastructure	67,847,161	62,558,488	-	87,888,876	67,847,161	150,447,364
Buildings and Improvements	9,571,823	10,874,445	-	7,321,254	9,571,823	18,195,699
Machinery and Equipment	7,908,485	7,442,492	-	1,991,744	7,908,485	9,434,236
Construction in Progress	5,803,782	5,638,192	-	8,857,261	5,803,782	14,495,453
	97,937,629	91,507,644	-	106,220,899	97,937,629	197,728,543
Accumulated Depreciation	(45,005,161)	(42,247,782)	-	(53,248,207)	(45,005,161)	(95,495,989)
Capital Assets, Net	<u>\$ 52,932,468</u>	<u>\$ 49,259,862</u>	<u>\$ -</u>	<u>\$ 52,972,692</u>	<u>\$ 52,932,468</u>	<u>\$ 102,232,554</u>

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

Long-Term Debt

At the end of the current fiscal year, Warrington Township had total bonded debt outstanding of \$30,851,241, including unamortized premium of \$562,111. This amount comprises debt that is backed by the full faith and credit of the Township. The remainder of the outstanding debt is capital leases.

**Table 4
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds and Notes	\$ 30,843,405	\$ 21,910,720	\$ -	\$ -	\$ 30,843,405	\$ 21,910,720
Revenue Bonds	-	-	-	14,335,000	-	14,335,000
Capital Leases	1,359,837	1,703,651	-	-	1,359,837	1,703,651
	<u>\$ 32,203,242</u>	<u>\$ 23,614,371</u>	<u>\$ -</u>	<u>\$ 14,335,000</u>	<u>\$ 32,203,242</u>	<u>\$ 37,949,371</u>

Warrington Township maintains an Aa2 rating from Moody's for general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

On March 6, 2020, Governor Tom Wolf declared the existence of a disaster emergency throughout the Commonwealth as a result of the pandemic outbreak of the novel coronavirus (COVID-19). We project a slight decrease in General Fund revenues due to this pandemic. Because Warrington is a fairly affluent Township, economic factors will not have as big a negative effect on Warrington as other municipalities. Our largest source of revenue, Earned Income Tax, is not projected to see a large decrease in overall revenue by the end of the fiscal year. Other revenue categories, such as police fines, land development and building permits are projected to see a negative end-of-year result due to the stopping of construction and land development and the reduction of issuing of citations to motorists during the first few months of the pandemic.

The Warrington Township Board of Supervisors, realizing early on in the pandemic that revenues could be adversely affected, voted to be proactive to curtail expenditures to offset the projected loss of revenue. Expenditures that were cut included staff layoffs (resulting in lower salary and benefit costs), the postponement of all minor equipment purchases, the implementation of a travel/training ban, and the holding off of all purchases except for essential purchases.

2020 Adopted Spending Plan

For 2020, a fiscally conservative and balanced budget was adopted. Expenditures are estimated at \$14.2 million as compared to the \$13.5 million spent in 2019, representing a 5.19% increase over 2019. The table below shows the 2016-2020 General Fund budget summaries.

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

Table 5
General Fund Budget Summaries: 2016 - 2020 (In Millions)

Description	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Proposed
Expenditures	13.3	12.6	15.7	13.5	14.2
Revenues	14.0	13.1	15.9	14.8	14.2
Net Change in Fund Balance	0.7	0.5	0.2	1.3	-
Ending Fund Balance	3.9	4.4	4.6	5.8	5.8
% Fund Balance To Expenditures	29.5%	35.1%	29.0%	43.0%	40.8%

2019 Cost Drivers and Budget Variations

The Adopted 2020 budget reflects a decrease in expenditures as compared to 2019. While there is a modest decrease in expenditures, Warrington Township continues to have a fiscally conservative budget. Below are some of the noteworthy cost drivers which impacted 2020 revenues and expenditures.

Fringe Benefits

As a participant in the Delaware Valley Insurance Trust, the Township uses the Trust to procure health insurance. While the historical average increase for health insurance premiums is 6.5%, for 2019 the cost of health insurance premiums only increased by 2.3%. For 2020 the increase is approximately 4.3% for all employees other than Police.

The Township negotiated a new four-year contract with the Warrington Police Benevolent Association. As part of this contract, the Police switched to a High-Deductible Health Plan, which will save the Township over \$60,000 per year. We will continue to evaluate options for all other employees to see if we can reduce healthcare costs, while at the same time, providing quality health care to our employees and their families.

Residential and Commercial Development

In 2019, Warrington Township saw residential and commercial development projects that were in all stages of development and construction. Considerable development activity is again anticipated to occur throughout the Township in the upcoming year as there are several projects scheduled to begin in 2020. Continued development produces jobs, adds to the real estate tax base, as well as increases earned income tax and local services tax revenue. Also, new developments contribute toward park and recreation assessment fees, which are used to improve Township parks. Residential real estate development projects that will have a substantial impact in 2020 include: Emerson Farm (123 homes); Parkview at Warrington (95 luxury homes); Perry Farm (48 luxury homes); and Grove Valley Farms (39 homes) to name a few.

GENERAL FUND FISCAL TREND ANALYSIS: 2019 - 2024

Long Range Forecast for Revenues

By the end of 2020, the fund balance for the General Fund is projected to be over \$5 million dollars, or approximately 40.1% (available cash balance divided by 2020 expenditures), which well exceeds the 15% Government Finance Officers Association (GFOA) requirement. The Township has worked diligently to maintain a healthy fund balance. While the projected fund balance meets the requisite GFOA balance, it is necessary to consider future revenue and expenditure trends. The Township is continuing to grow and it is expected that increased revenues from development will positively impact our largest sources of revenue: earned income tax, real estate tax, building permits, and real estate transfer tax.

WARRINGTON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2019

In 2020, real estate taxes will continue an upward trend due to an increase in residential and commercial development. The largest source of revenue, Earned Income Tax, is projected to be slightly behind 2019 as COVID-19 has had an effect on Warrington, and all government big and small due to the shutting down of commerce. As mentioned previously, Warrington Township is faring better than many municipalities due to the fact that Warrington residents have above-average income levels and are effected less by layoffs or furloughs. Real estate transfer tax should finish the year only slightly behind 2019 due to the fact that new houses have been added to the tax rolls, albeit at a slightly slower pace than in 2019.

While Cable Television Franchise fees continue to be a significant revenue category, it is on a slightly downward trend as more people are "cutting the cord" in favor of other streaming services. In addition, the Township lost two-thirds of its rental income from cell phone antennas due to the selling of our water tanks (from the sale of our Water System). Fortunately, the cell tower rent was only a small portion of overall income.

There are numerous vehicle and equipment purchases as well as capital projects budgeted for 2020. Capital projects slated to be completed in 2020 include:

- Road resurfacing totaling \$1,100,000
- Police Station/Township Building totaling \$8,400,000
- Township Building Renovations - \$140,000
- Historic Schoolhouse Renovations - \$125,000
- Rt. 202 to Bradford Dam Walking trail - \$700,000
- Lions Pride Park construction – Phases I & II - \$1,000,000

The Township property tax rate for 2020 remained the same as 2019 at 16.12 mills.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Warrington Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Open Records Officer by completing a Request Form found on our website (www.warringtontownship.org) or at the Township Office located at 852 Easton Road, Warrington, Pennsylvania 18976-2090.

WARRINGTON TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and Cash Equivalents	\$ 30,008,230	\$ 8,593,772	\$ 38,602,002
Receivables	1,153,763	847,438	2,001,201
Internal Balances	209,424	(209,424)	-
Due From Other Governments	-	501,216	501,216
Notes Receivable	-	138,429	138,429
Prepaid Expenses	16,603	-	16,603
Bond Discounts	45,486	-	45,486
Capital Assets			
Land	6,806,378	-	6,806,378
Construction in Progress	5,803,782	-	5,803,782
Infrastructure	67,847,161	-	67,847,161
Buildings and Improvements	9,571,823	-	9,571,823
Machinery, Vehicles and Equipment	7,908,485	-	7,908,485
Accumulated Depreciation	(45,005,161)	-	(45,005,161)
Total Assets	84,365,974	9,871,431	94,237,405
Deferred Outflows of Resources			
Deferred Outflows Related to OPEB	117,229	-	117,229
Deferred Outflows Related to Pensions	2,057,558	68,431	2,125,989
Total Deferred Outflows of Resources	2,174,787	68,431	2,243,218
Liabilities			
Accounts Payable and Accrued Expenses	2,178,019	261,559	2,439,578
Due to Other Governments	449,855	-	449,855
Due to Fiduciary Fund	13,845	-	13,845
Unearned Revenue	203,372	-	203,372
Long Term Liabilities:			
Portion Due or Payable Within One Year			
Bonds, Notes and Capital Leases	1,956,968	-	1,956,968
Accrued Interest	56,506	-	56,506
Portion Due or Payable After One Year			
Bonds, Notes and Capital Leases	29,691,999	-	29,691,999
Bond Premiums	562,113	-	562,113
Compensated Absences	468,234	-	468,234
Net Pension Liability	2,564,521	21,655	2,586,176
OPEB Obligation	3,095,515	-	3,095,515
Total Liabilities	41,240,947	283,214	41,524,161
Deferred Inflows of Resources			
Deferred Gain on Defeasance of Debt	37,650	-	37,650
Deferred Inflows Related to Pensions	948,176	30,678	978,854
Deferred Inflows Related to OPEB	1,012,789	-	1,012,789
Total Deferred Inflows of Resources	1,998,615	30,678	2,029,293
Net Position			
Net Investment in Capital Assets	32,498,322	-	32,498,322
Restricted	23,501,289	-	23,501,289
Unrestricted	(12,698,412)	9,625,970	(3,072,442)
Total Net Position	\$ 43,301,199	\$ 9,625,970	\$ 52,927,169

The accompanying notes are an integral part of the financial statements.

**WARRINGTON TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 3,965,668	\$ 2,283,953	\$ 512,050	\$ -	\$ (1,169,665)	\$ -	\$ (1,169,665)
Public Safety	7,151,044	-	136,695	-	(7,014,349)	-	(7,014,349)
Public Works	3,609,585	-	761,407	-	(2,848,178)	-	(2,848,178)
Sanitation	168,215	-	197,302	-	29,087	-	29,087
Culture/Recreation	1,218,232	-	11,650	-	(1,206,582)	-	(1,206,582)
Interest on Long-Term Debt	980,981	-	-	-	(980,981)	-	(980,981)
Total Governmental Activities	17,093,725	2,283,953	1,619,104	-	(13,190,668)	-	(13,190,668)
Business-Type Activities:							
Water and Sewer	10,349,249	7,258,608	1,048,539	557,154	-	(1,484,948)	(1,484,948)
Total Township Activities	\$ 27,442,974	\$ 9,542,561	\$ 2,667,643	\$ 557,154	-	(1,484,948)	-
General Revenues:							
Taxes							
Property Taxes					5,755,706	-	5,755,706
Earned Income Tax					4,149,692	-	4,149,692
Local Services Tax					457,538	-	457,538
Real Estate Transfer Tax					903,474	-	903,474
Public Utility Realty Tax					10,518	-	10,518
Interest, Investment Earnings and Royalties					684,828	153,600	838,428
Grants and Contributions Not Restricted to Specific Programs					7,050	-	7,050
Miscellaneous					2,273,019	4,744	2,277,763
Gain (Loss) on Disposal of Assets					21,670	(18,144,604)	(18,122,934)
Transfers					14,100,280	(14,100,280)	-
Total General Revenues and Transfers					28,363,775	(32,086,540)	(3,722,765)
Change in Net Position					15,173,107	(33,571,488)	(18,398,381)
Net Position - Beginning					28,008,327	43,197,458	71,205,785
Restatement					119,765	-	119,765
Net Position - Beginning, as Restated					28,128,092	43,197,458	71,325,550
Net Position - Ending					\$ 43,301,199	\$ 9,625,970	\$ 52,927,169

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

<u>Assets</u>	General Fund	Tax Rate Stabilization Fund	Utility Proceeds Fund	Open Space Fund	2019 Capital Projects Fund	2016 Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 5,443,638	\$ 18,274	\$ 12,299,208	\$ 1,327,103	\$ 8,187,761	\$ 1,558,436	\$ -	\$ 125,036	\$ 1,048,774	\$ 30,008,230
Accounts Receivable	66,971	-	-	-	-	13,091	-	-	-	80,062
Taxes Receivable	1,048,424	-	-	-	-	-	-	-	-	1,048,424
Due From Other Funds	1,050,558	4,000,000	145,000	800	-	-	398,000	-	237,175	5,831,533
Due from Escrow Fund	25,277	-	-	-	-	-	-	-	-	25,277
Prepaid Expenses	16,603	-	-	-	-	-	-	-	-	16,603
Total Assets	\$ 7,651,471	\$ 4,018,274	\$ 12,444,208	\$ 1,327,903	\$ 8,187,761	\$ 1,571,527	\$ 398,000	\$ 125,036	\$ 1,285,949	\$ 37,010,129
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>										
<u>Liabilities</u>										
Accounts Payable	\$ 310,565	\$ -	\$ -	\$ 176,426	\$ 189,734	\$ 3,179	\$ 1,120,655	\$ 1,291	\$ 119,208	\$ 1,921,058
Due to Agency Fund	449,855	-	-	-	-	-	-	-	-	449,855
Due to Other Funds	635,975	-	4,000,000	-	-	886,134	-	-	100,000	5,622,109
Due to Fiduciary Funds	13,845	-	-	-	-	-	-	-	-	13,845
Unearned Revenues	203,372	-	-	-	-	-	-	-	-	203,372
Accrued Expenses	256,961	-	-	-	-	-	-	-	-	256,961
Total Liabilities	1,870,573	-	4,000,000	176,426	189,734	889,313	1,120,655	1,291	219,208	8,467,200
<u>Fund Balances</u>										
Nonspendable, Prepaid Expenses	16,603	-	-	-	-	-	-	-	-	16,603
Restricted										
Capital Improvements	-	-	8,444,208	-	7,998,027	682,214	-	-	186,155	17,310,604
Open Space and Parkland Improvements	-	-	-	1,151,477	-	-	-	-	-	1,151,477
Debt Service	-	-	-	-	-	-	-	123,745	-	123,745
Fire Services	-	-	-	-	-	-	-	-	41,421	41,421
Liquid Fuels	-	-	-	-	-	-	-	-	839,165	839,165
Assigned										
Tax Rate Stabilization	-	4,018,274	-	-	-	-	-	-	-	4,018,274
Unassigned (Deficit)	5,764,295	-	-	-	-	-	(722,655)	-	-	5,041,640
Total Fund Balances	5,780,898	4,018,274	8,444,208	1,151,477	7,998,027	682,214	(722,655)	123,745	1,066,741	28,542,929
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 7,651,471	\$ 4,018,274	\$ 12,444,208	\$ 1,327,903	\$ 8,187,761	\$ 1,571,527	\$ 398,000	\$ 125,036	\$ 1,285,949	\$ 37,010,129

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
 RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2019

Total Governmental Funds Balances	\$ 28,542,929
<p>Capital Assets used in governmental activities are not current financial resources and are not reported in the funds. These assets consist of:</p>	
Land	6,806,378
Construction in Progress	5,803,782
Infrastructure	67,847,161
Buildings and Improvements	9,571,823
Machinery, Vehicles and Equipment	7,908,485
Accumulated Depreciation	(45,005,161)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Bond Discounts	45,486
Deferred Gain on Defeasance of Debt	(37,650)
<p>Deferred inflows and outflows related to pension activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	1,109,382
<p>Deferred inflows and outflows related to OPEB activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	(895,560)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued Interest	(56,506)
Bonds, Notes and Capital Leases	(31,648,967)
Bond Premiums	(562,113)
Compensated Absences	(468,234)
Net Pension Liability	(2,564,521)
OPEB Obligation	(3,095,515)
Net Position of Governmental Activities	\$ 43,301,199

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General Fund	Tax Rate Stabilization Fund	Utility Proceeds Fund	Open Space Fund	2019 Capital Projects Fund	2016 Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues										
Taxes										
Property	\$ 3,136,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,181,984	\$ 461,348	\$ 5,779,700
Transfer	903,474	-	-	-	-	-	-	-	-	903,474
Earned Income	5,098,115	-	-	-	-	-	-	-	-	5,098,115
Other	468,056	-	-	-	-	-	-	-	-	468,056
Fees and Fines	297,469	-	-	-	-	-	-	-	-	297,469
Licenses and Permits	623,841	-	-	-	-	-	-	-	-	623,841
Intergovernmental	866,470	-	-	11,650	-	-	-	-	748,034	1,626,154
Charges for Services	2,283,953	-	-	-	-	-	-	-	-	2,283,953
Investment Income and Rent	439,214	18,274	-	25,095	112,683	22,472	294	38,267	28,529	684,828
Miscellaneous	583,456	-	-	749,682	-	-	-	-	-	1,333,138
Total Revenues	14,700,416	18,274	-	786,427	112,683	22,472	294	2,220,251	1,237,911	19,098,728
Expenditures										
Current										
General Government	1,891,589	-	12	-	2,060,121	273,053	475	20,120	10,781	4,256,151
Public Safety	8,999,782	-	-	-	-	-	318,378	-	437,870	9,756,030
Public Works	1,538,950	-	-	371	1,381,836	395,110	239,002	-	-	3,555,269
Sanitation	168,215	-	-	-	-	-	-	-	-	168,215
Culture/Recreation	871,095	-	-	1,259,059	-	-	-	-	34,124	2,164,278
Highways and Roads	-	-	-	-	-	-	-	-	214,613	214,613
Debt Service										
Principal	-	-	-	-	-	-	-	1,341,590	210,000	1,551,590
Interest and Other Charges	63,681	-	-	-	167,947	-	-	759,303	42,009	1,032,940
Total Expenditures	13,533,312	-	12	1,259,430	3,609,904	668,163	557,855	2,121,013	949,397	22,699,086
Excess of Revenues Over (Under) Expenditures	1,167,104	18,274	(12)	(473,003)	(3,497,221)	(645,691)	(557,561)	99,238	288,514	(3,600,358)
Other Financing Sources (Uses)										
Issuance of Long Term Debt, Net	-	-	-	-	9,995,248	-	-	-	-	9,995,248
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	21,670	-	-	21,670
Transfers In	694,520	4,000,000	12,444,220	-	1,500,000	-	398,000	34,240	237,175	19,308,155
Transfers Out	(635,175)	-	(4,000,000)	-	-	-	-	-	(572,700)	(5,207,875)
Total Other Financing Sources (Uses)	59,345	4,000,000	8,444,220	-	11,495,248	-	419,670	34,240	(335,525)	24,117,198
Net Change in Fund Balances	1,226,449	4,018,274	8,444,208	(473,003)	7,998,027	(645,691)	(137,891)	133,478	(47,011)	20,516,840
Fund Balances (Deficit) - Beginning of Year	4,554,449	-	-	1,624,480	-	1,327,905	(584,764)	(9,733)	993,987	7,906,324
Restatement	-	-	-	-	-	-	-	-	119,765	119,765
Fund Balances (Deficit) - Beginning of Year, as Restated	4,554,449	-	-	1,624,480	-	1,327,905	(584,764)	(9,733)	1,113,752	8,026,089
Fund Balances (Deficit) - End of Year	\$ 5,780,898	\$ 4,018,274	\$ 8,444,208	\$ 1,151,477	\$ 7,998,027	\$ 682,214	\$ (722,655)	\$ 123,745	\$ 1,066,741	\$ 28,542,929

The accompanying notes are an integral part of the financial statements.

WARRINGTON 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

Net Change in Fund Balances - Total Governmental Funds	\$ 20,516,840
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$6,433,337) exceeds depreciation (\$2,760,732) in the current period</p>	
	3,672,605
<p>Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization exceeds capital outlays in the current period.</p>	
	7,647
<p>Governmental Funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	
	(953,846)
<p>The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>	
	(8,034,596)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Accrued interest not reflected in Governmental Funds	(20,936)
Pension plan expense	192,079
OPEB plan expense	(292,537)
<p>In the statement of activities, certain operating expenses - compensated absences (vacations, compensated absences and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>	
	85,851
Change in Net Position of Governmental Activities	\$ 15,173,107

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2019

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 8,593,772
Accounts Receivable	847,438
Due from Other Funds	91,636
Due from Other Governments	501,216
Notes Receivable	138,429
Total Current Assets	10,172,491
Total Assets	10,172,491
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	68,431
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	261,559
Due to Other Funds	301,060
Total Current Liabilities	562,619
Non-Current Liabilities	
Net Pension Liability	21,655
Total Non-Current Liabilities	21,655
Total Liabilities	584,274
Deferred Inflows of Resources	
Deferred Inflows related to Pensions	30,678
Total Deferred Inflows of Resources	30,678
Net Position	
Unrestricted	9,625,970
Total Net Position	\$ 9,625,970

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2019

	Enterprise Fund
	Water and Sewer Fund
Operating Revenues	
Charges for Services	\$ 6,530,303
Other Revenues	4,744
	6,535,047
Operating Expenses	
Water and Sewer Operations	5,891,302
General and Administrative	1,610,815
Depreciation	2,630,644
	10,132,761
Operating Income (Loss)	(3,597,714)
Nonoperating Revenues and Expenses	
Interest and Investment Revenue	153,600
Connection Fees	89,140
Grants and Contributions	1,048,539
Tapping Fees	639,165
Interest Expense	(216,488)
	1,713,956
Income Before Loss on Sale of Assets, Transfers and Capital Contributions	(1,883,758)
Loss on Sale of Assets	(18,144,604)
Transfers Out	(14,100,280)
Capital Contributions	557,154
	(33,571,488)
Change in Net Position	(33,571,488)
Net Position - Beginning of Year	43,197,458
Net Position - End of Year	\$ 9,625,970

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2019

	Enterprise Fund
	Water and Sewer Fund
Cash Flow From Operating Activities	
Cash Received from Customers	\$ 7,724,220
Payments to Employees	(710,583)
Payments to Suppliers	(8,342,176)
	.
Net Cash Provided by (Used in) Operating Activities	(1,328,539)
Cash Flows from Noncapital Financing Activities	
Transfers to Other Funds	(14,100,280)
Net Cash Used by Noncapital Financing Activities	(14,100,280)
Cash Flows from Capital and Related Financing Activities	
Acquisition, Construction and Improvements of Capital Assets	(2,911,481)
Proceeds from Sale of Assets	33,353,617
Tapping Fees	639,165
Connection Fees	89,140
Bond Principal Repayment	(14,335,000)
Interest Paid on Bonds	(288,032)
Grants and Contributions	1,605,693
	1,605,693
Net Cash Used by Capital and Related Financing Activities	18,153,102
Cash Flows from Investing Activities	
Earnings on Investments	153,600
	153,600
Net Cash Provided by (Used in) Investing Activities	153,600
Net Increase (Decrease) in Cash and Cash Equivalents	2,877,883
Cash and Cash Equivalents- Beginning of Year	5,715,889
Cash and Cash Equivalents - End of Year	\$ 8,593,772
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (3,597,714)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities	
Depreciation	2,630,644
Pension Expense	53,163
(Increase) Decrease in	
Accounts Receivable	773,261
Notes Receivable	(10,552)
Other Receivables	984
Due from Other Governments	(300,867)
Prepaid Expenses	476
Increase (Decrease) in	
Accounts Payable	(1,128,635)
Compensated Absences	(8,752)
Due to Other Funds	301,060
Accrued Salaries and Benefits	(41,607)
	(41,607)
Net Cash Used In Operating Activities	\$ (1,328,539)

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Pension <u>Trust Funds</u>	<u>Escrow Fund</u>
Assets		
Cash and Cash Equivalents	\$ 434,422	\$ 1,899,111
Investments	24,841,605	-
Accounts Receivable	-	116,781
Due from Members	<u>10,909</u>	<u>-</u>
Total Assets	<u>\$ 25,286,936</u>	<u>\$ 2,015,892</u>
Liabilities		
Accounts Payable	<u>\$ -</u>	<u>\$ 2,015,892</u>
Total Liabilities	<u>-</u>	<u>\$ 2,015,892</u>
Net Position		
Held in Trust for Benefits and Other Purposes	<u>25,286,936</u>	
Total Liabilities and Net Position	<u>\$ 25,286,936</u>	

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,250,515
Plan Members	538,677
Total Contributions	1,789,192
Investment Earnings	
Net Increase in Fair Value of Investments	3,615,872
Dividends	471,948
Investment Earnings, Net	4,087,820
Total Additions	5,877,012
Deductions	
Benefits	1,262,927
Administrative	145,328
Total Deductions	1,408,255
Change in Net Position	4,468,757
Net Position, Beginning of Year	20,818,179
Net Position, End of Year	\$ 25,286,936

The accompanying notes are an integral part of the financial statements.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Warrington Township (the "Township") is a municipal corporation existing and operating under the Second Class Township Code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The Township has determined that no outside entity meets the above criteria; therefore, no other entity has been included in the Township's financial statements. In addition, the Township is not aware of any entity which would exercise such oversight that would result in the Township being considered a component unit of the entity. The Township levies a tax for Warrington Township Fire Company Number 1 and remits the allocated portion to the Fire Company.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, the Proprietary Fund and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the fiscal period. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. Property taxes, franchise taxes and licenses associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The Township reports the following major Governmental Funds;

- The General Fund is the Township's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Tax Rate Stabilization Fund accounts for reserves for stabilization of tax rates throughout the Township.
- The Open Space Fund accounts for open space and parkland improvements throughout the Township.
- The 2019 Capital Projects Fund accounts for capital projects throughout the Township.
- The Utility Proceeds Fund accounts for proceeds from the sale of the Township's Water and Sewer systems.
- The 2016 Capital Projects Fund accounts for capital projects throughout the Township.
- The Capital Reserve Fund accounts for reserves for capital projects throughout the Township.
- The Debt Service Fund accounts for payments of principal and interest of long-term debt.

The Township reports the following major Proprietary Fund:

- The Water and Sewer Fund accounts for the activities of the Township's water and sewer treatment systems.

Additionally, the Township reports the following Fiduciary Fund Types:

- The Pension Trust Funds are used to account for the activities of the Police and Non-Uniform Employees' Pension Plans, which accumulate resources for pension benefit payments to qualified employees.
- The Escrow Fund is used to account for funds received from individuals and private organizations for specific uses within the Township's boundaries.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus. Basis of Accounting and Basis of Presentation (Continued)

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses 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 Water and Sewer Fund are charges to customers for sales and services. The Proprietary Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting - The Township follows the procedures outlined below, which comply with legal requirements in establishing the budgetary data reflected in the financial statements:

1. Budgets are legally adopted on an annual basis for most Township funds, which is consistent with U.S. generally accepted accounting principles. The operating budget includes proposed expenditures and the means of financing them.
2. During October and November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds.
3. No later than December 31, the budget is legally adopted through the passage of an ordinance.
4. All budget revisions require the approval of the Township's Board of Supervisors. There were no budget revisions made during the year. The Board authorized the use of the unallocated fund balance in 2019.
5. Budgets for the funds are prepared on the modified accrual basis of accounting.

All appropriations lapse at year-end. Supplemental appropriations may be made at any time.

As a matter of state law, expenditures cannot exceed total appropriations by fund.

During 2019 the following functions incurred expenditures in excess of appropriations in the adopted budget:

Public Safety	\$1,879,118
Sanitation	\$35,715

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus. Basis of Accounting and Basis of Presentation (Continued)

Encumbrance Accounting - Encumbrance accounting, under which purchase orders and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds for which budgets are prepared. Encumbrances outstanding at year-end lapse. Encumbrances do not constitute expenditures or liabilities under accounting principles generally accepted in the United States of America.

Assets, Liabilities and Equity

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

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 Township 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.

The law provides that the Township's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

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

Advances between funds, as reported in the fund financial statements, are offset by a committed or assigned fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Real Estate Taxes - Real estate taxes are recorded as revenues when the taxes are levied. All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2019, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Real estate taxes are levied on January 1 on property values assessed as of the same date. Taxes are billed February 1 and are due on June 30 of each year. A 2% discount is provided for taxes paid prior to April 1. A 10% penalty is applied to taxes paid after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Earned Income Taxes - A 1% earned income tax is imposed on all residents and on nonresidents who work within the Township limits. This tax is recorded as revenue when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

Provision for Estimated Uncollectible Receivables - At December 31, 2019, all trade receivables were deemed to be fully collectible.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines a capital asset as an asset with an initial, individual cost equal to or greater than \$10,000 and must have an estimated useful life in excess of five years. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their acquisition value at the date of transfer.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2003, Governmental Funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation has been provided over the estimated useful lives of property, plant and equipment using the straight-line method as follows:

	<u>Years</u>
Buildings	20-40
Building Improvements	20-40
Roads, Curbs, Walks and Bridges	25-75
Storm Sewers	100
Lighting	20
Trucks and Heavy Equipment	8-15
Vehicles	8
Water/Sewer	
Buildings, Improvements, Water Mains and Pipes	30
Vehicles	5
Machinery and Equipment	30
Office Furniture and Equipment	10

Long-term Obligations - In the government-wide financial statements and the Proprietary Fund Type 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.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond premiums or discounts are reported as deferred charges. Bonds payable are reported net of deferred amounts on refunding, which represent the difference between the reacquisition price and the net carrying amount of old debt that has been defeased in refunding transactions since 1993. A deferred charge is amortized as a component of interest expense over the lesser of the remaining life of the old debt or the life of the new debt.

In the fund financial statements. Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses.

Cash and Cash Equivalents - For purposes of reporting cash flows for the Proprietary Fund, all highly liquid investments with original maturities of three months or less are considered cash and cash equivalents.

Compensated Absences – Certain unused vacation and sick benefits do not lapse at year-end without approval of the Township. As of December 31, 2019, \$468,234 was accumulated for governmental activities.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk - The Township's revenues and receivables for taxes and utility service are mostly derived from residents and businesses located in the Township and are, therefore, subject to the economic conditions of the area.

Fund Balances

The Township has adopted GASB Statement No. 54, which defines how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows;

- Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of Supervisors.
- Assigned - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. As of December 31, 2019, the Board has not delegated the authority to assign fund balance.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

- Unassigned - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 13). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance is reduced to zero, then assigned and committed fund balances are used in that order.

Deferred Outflows/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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions and other postemployment benefits (OPEB) are reported in the government-wide statement of net position and the proprietary fund statement of net position and are the result of differences between expected and actual experience of the pension plan, the net difference between projected and actual earnings on investments and changes in plan assumptions and contributions subsequent to measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement 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 that qualifies for reporting in this category. The deferred inflow of resources related to pension and OPEN plans are reported in the government-wide statement of net position and the proprietary fund statement of net position and are the result of differences between expected and actual experience of the pension and OPEB plans, and the net difference between projected and actual earnings on pension plan investments and the change of assumptions. The deferred gain on defeasance of debt is reported in the government-wide statement of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Government Accounting Standards Board issued Statement No. 83, "*Certain Asset Retirement Obligations*." This statement is required to be adopted by the Township for the year ended December 31, 2019. The adoption of this statement had no effect on previously reported amounts.

The Government Accounting Standards Board issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*." This statement is required to be adopted by the Township for the year ended December 31, 2019. The adoption of this statement had no effect on previously reported amounts.

The Government Accounting Standards Board issued Statement No. 90, "Majority Equity Interests" – an amendment of GASB Statements No. 14 and No. 61." This statement is required to be adopted by the Township for the year ended December 31, 2019. The adoption of this statement had no effect on previously reported amounts.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Governmental Accounting Standards Board (GASB) Statements (Continued)

The Government Accounting Standards Board issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." This statement is required to be adopted by the Township for the year ended December 31, 2019. The adoption of this statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Township is required to adopt statement No. 84 for its calendar year 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Township is required to adopt statement No. 87 for its calendar year 2022 financial statements.

The GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*." This Statement is required to be adopted by the Township for year ending December 31, 2021.

The GASB issued Statement No. 91, "*Conduit Debt Obligations*". The Township is required to adopt statement No. 91 for its calendar year 2022 financial statements.

The GASB issued Statement No. 92, "*Omnibus 2020*." Sections of this Statement are required to be adopted in two stages; periods beginning after December 15, 2021 and fiscal years beginning after June 15, 2021. The Township has not yet completed the process of evaluating the impact of GASB No. 92 on its 2022 financial statements.

The GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*" (regarding LIBOR). The Statement is effective for reporting periods ending after December 31, 2022 for removing LIBOR as an appropriate benchmark interest rate, and all other sections are effective for reporting periods beginning after June 15, 2021. The Township has not yet completed the process of evaluating the impact of GASB No. 93 in its 2021 and 2022 financial statements.

The GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". Statement No. 94 is effective for the year ending after December 31, 2023. The Township has not yet completed the process of evaluating the impact of GASB No. 94 on its financial statements.

The GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Statement No. 96 is effective for fiscal years beginning after June 15, 2022. The Township has not yet completed the process of evaluating the impact of GASB No. 96 on its 2023 financial statements.

The GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*". Statement No. 97 is effective for fiscal years beginning after June 15, 2023. The Township has not yet completed the process of evaluating the impact of GASB No. 97 on its 2022 and 2023 financial statements.

The effect of implementation of these Statements has not yet been determined.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2019, \$1,500,000 of the Township's bank balance of \$65,470,313 was insured by the FDIC. Of the remaining \$63,970,313, \$60,984,846 was exposed to custodial credit risk, collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name. \$2,985,467 was held in PLGIT state investment pools which is both uninsured and not collateralized.

Investments

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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township had the following Level 1 inputs as of December 31, 2019:

	Investment Maturities	
	Fair Value	
Investment Type	Level 1 Inputs	Less Than One Year
Pension Activities		
Mutual Funds	\$ 24,841,605	\$ 24,841,605

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's formal investment policy does not address interest rate risk.

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 1. It is the Township's formal investment policy that the investment portfolio maintains an average AA rating by Standard & Poor's.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. More than 5% of the Township's investments are in mutual funds. These investments are 100% of the Township's total investments.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS

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

	January 1, 2019	Increases	Decreases	Transfers	December 31, 2019
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ 4,994,027	\$ 36,099	\$ -	\$ 1,776,252	\$ 6,806,378
Construction in Progress	5,638,192	5,375,079	-	(5,209,489)	5,803,782
Total Capital Assets Not Being Depreciated	<u>10,632,219</u>	<u>5,411,178</u>	<u>-</u>	<u>(3,433,237)</u>	<u>12,610,160</u>
Capital Assets Being Depreciated					
Infrastructure	62,558,488	644,221	-	4,644,452	67,847,161
Buildings and Improvements	10,874,445	28,464	-	(1,331,086)	9,571,823
Machinery, Vehicles and Equipment	7,442,492	346,122	-	119,871	7,908,485
Total Capital Assets Being Depreciated	<u>80,875,425</u>	<u>1,018,807</u>	<u>-</u>	<u>3,433,237</u>	<u>85,327,469</u>
Accumulated Depreciation					
Infrastructure	35,305,423	2,094,972	(3,353)	-	37,397,042
Buildings and Improvements	2,039,042	232,341	-	-	2,271,383
Machinery, Vehicles and Equipment	4,903,317	433,419	-	-	5,336,736
Total Accumulated Depreciation	<u>42,247,782</u>	<u>2,760,732</u>	<u>(3,353)</u>	<u>-</u>	<u>45,005,161</u>
Total Capital Assets Being Depreciated, Net	<u>38,627,643</u>	<u>(1,741,925)</u>	<u>3,353</u>	<u>3,433,237</u>	<u>40,322,308</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,259,862</u>	<u>\$ 3,669,253</u>	<u>\$ 3,353</u>	<u>\$ -</u>	<u>\$ 52,932,468</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities		
Administrative		\$ 98,396
Police and Emergency Services		9,518
Public Works, Including Depreciation of General Infrastructure, Except Park Systems		2,153,001
Parks and Recreation, Including Depreciation Relating to Park Systems		<u>499,817</u>
Total Governmental Activities		<u>\$ 2,760,732</u>

	Balance January 1, 2019	Increases	Decreases	Transfers	Balance December 31, 2019
Business-Type Activities					
Capital Assets not Being Depreciated					
Land	\$ 161,764	\$ -	\$ (161,764)	\$ -	\$ -
Construction in Progress	8,857,261	-	-	(8,857,261)	-
Total Capital Assets not Being Depreciated	<u>9,019,025</u>	<u>-</u>	<u>(161,764)</u>	<u>(8,857,261)</u>	<u>-</u>
Capital Assets Being Depreciated					
Collection, Distribution, Reserve, Treatment Systems	87,888,876	2,911,481	(99,657,618)	8,857,261	-
Buildings and Improvements	7,321,254	-	(7,321,254)	-	-
Equipment and Vehicles	1,991,744	-	(1,991,744)	-	-
Total Capital Assets Being Depreciated	<u>97,201,874</u>	<u>2,911,481</u>	<u>(108,970,616)</u>	<u>8,857,261</u>	<u>-</u>
Accumulated Depreciation					
Collection, Distribution, Reserve, Treatment Systems	(47,949,434)	(2,477,245)	50,426,679	-	-
Buildings and Improvements	(3,399,970)	(134,042)	3,534,012	-	-
Equipment and Vehicles	(1,898,803)	(19,357)	1,918,160	-	-
Total Accumulated Depreciation	<u>(53,248,207)</u>	<u>(2,630,644)</u>	<u>55,878,851</u>	<u>-</u>	<u>-</u>
Total Capital Assets Being Depreciated, Net	<u>43,953,667</u>	<u>280,837</u>	<u>(164,849,467)</u>	<u>8,857,261</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ 52,972,692</u>	<u>\$ 280,837</u>	<u>\$ (165,011,231)</u>	<u>\$ -</u>	<u>\$ -</u>

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds		
General Fund	\$ 1,050,558	\$ 635,975
Utility Proceeds Fund	4,145,000	4,000,000
2016 Capital Projects Fund	-	886,134
Capital Fund	237,175	-
Open Space Fund	800	-
Fire Fund	-	100,000
Capital Reserve	398,000	-
Proprietary Fund		
Water and Sewer Fund	91,636	301,060
	\$ 5,923,169	\$ 5,923,169

Interfund balances are primarily a result of:

1. Reimbursement of payroll and payables charged to other funds.
2. Cash receipts collected in one fund but belonging to another.
3. Funding cash deficits.
4. In-transit budgeted operating transfers.

Interfund transfers are as follows:

	Transfer Out	Transfer In
General Fund	\$ 735,175	\$ 594,520
Utility Proceeds	4,000,000	12,444,220
Tax Rate Stabilization Fund	-	4,000,000
Highway Aid Fund	88,210	-
2019 Capital Projects Fund	-	1,500,000
Capital Fund	-	237,175
Capital Reserve Fund	-	398,000
Debt Service Fund	-	34,240
Fire Fund	-	100,000
2014 Capital Projects Fund	384,490	-
Water and Sewer Fund	14,100,280	-
	\$ 19,308,155	\$ 19,308,155

Interfund transfers are primarily a result of:

1. Reimbursement of payroll and payables charged to other funds.
2. Reimbursement for debt payments.
3. Various funds financing capital projects.
4. Budgeted operating transfers.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 5 LONG-TERM DEBT

Summary of Activity

Long-term liability activity for the year ended December 31, 2019, was as follows:

	January 1, 2019	Increases	Decreases	December 31, 2019	Due Within One Year
Governmental Activities					
General Obligation Bonds and Notes					
Series of 2012A	\$ 2,920,000	\$ -	\$ (555,000)	\$ 2,365,000	\$ 590,000
Series of 2012B	1,805,000	-	(210,000)	1,595,000	215,000
Series of 2013	7,680,000	-	(415,000)	7,265,000	405,000
Series of 2014	4,115,000	-	(105,000)	4,010,000	105,000
Series of 2016	5,390,720	-	(266,590)	5,124,130	272,210
Series of 2019	-	9,930,000	-	9,930,000	135,000
Total General Obligation Bonds and Notes	21,910,720	9,930,000	(1,551,590)	30,289,130	1,722,210
Bond Premiums	580,721	65,248	(83,858)	562,111	-
Deferred Issuance Discount	(53,542)	-	8,056	(45,486)	-
Deferred Gain on Defeasance	34,745	-	2,905	37,650	-
Capital Leases	1,703,651	-	(343,814)	1,359,837	298,439
Compensated Absences	554,085	-	(85,850)	468,235	-
Net Pension Liability	3,864,945	-	(1,300,424)	2,564,521	-
Net OPEB Obligation	3,930,169	-	(834,654)	3,095,515	-
Total Governmental Activities Long-Term Liabilities	\$ 32,525,494	\$ 9,995,248	\$ (4,189,229)	\$ 38,331,513	\$ 2,020,649
Business-Type Activities					
General Obligation Bonds, Series of 2014	14,335,000	-	(14,335,000)	-	-
Deferred Issuance Premium	1,714,344	-	(1,714,344)	-	-
Deferred Gain on Defeasance	40,964	-	(40,964)	-	-
Net Pension Liability	171,700	-	(150,045)	21,655	-
Compensated Absences	8,751	-	(8,751)	-	-
Total Business-Type Activities Long-Term Liabilities	\$ 16,270,759	\$ -	\$ (16,249,104)	\$ 21,655	\$ -

Payments on the bonds, notes and loans payable pertaining to the Township's governmental activities are made by the Debt Service Fund.

Governmental and Business-Type Activities Debt

The Township issues general obligation bonds and notes to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities.

General obligation notes are direct obligations and pledge the full faith and credit of the Township. These notes are generally issued as 15-20 year serial notes with varying amounts of principal maturing each year.

Total Scheduled Annual Debt Service

The Township's total scheduled annual debt service on all long-term debt is as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2020	\$ 1,722,210	\$ 880,509
2021	1,772,950	822,077
2022	1,818,820	778,960
2023	1,859,820	732,875
2024	1,905,930	688,335
2025-2029	7,113,920	2,938,634
2030-2034	6,075,060	2,025,881
2035-2039	4,180,420	1,011,003
2040-2043	3,840,000	315,473
	<u>\$30,289,130</u>	<u>\$10,193,747</u>

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 6 CAPITAL LEASE

The Township leases certain equipment under capital lease arrangements.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2019.

Year Ending December 31,		
2020	\$	308,398
2021		234,912
2022		196,121
2023		75,196
2024		63,681
Thereafter		771,446
Total Minimum Lease Payments		1,649,754
Amount Representing Interest		(289,917)
Present Value of Net Minimum Lease Payments		\$ 1,359,837

The gross value of this equipment on the statement of net position is \$1,571,020 with accumulated depreciation of \$650,785.

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Plan Description

Plan Administration - The Township administers the Police Pension Plan—a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the plan is vested in the Pension Advisory Board, which consists of up to eight members—three Township residents appointed by the Township, the Chairman of the Board of Supervisors, one member of the Board of Supervisors, the Township Manager, one sworn police officer and one non-uniformed employee. The Pension Advisory Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the plan.

Plan Membership - At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	35
	50

Benefits Provided - The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 50 with at least 25 years of service. Members hired after December 15, 2015 have a normal retirement age of 53. Officers may also receive a service increment equal to \$100 per month for each year of service in excess of 25 years, but not more than \$500 additional.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. Covered employees are required by statute to contribute 5% of their compensation to the plan and member contributions are credited with 4% interest. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Township's plan are established by Township ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2019, the MMO obligation for the plan was \$1,060,318. Contributions of \$1,093,517 were made by the Township to the plan.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2019:

Investments (Continued)

Asset Class	Target Allocation
Domestic Equity	50.00%
International Equity	21.00%
Fixed Income	28.00%
Alternative Investments	1.00%
	100.00%

Concentrations – More than 5% of the Township's investments are in exchange traded funds and mutual fund assets. These investments are 30% and 70%, respectively, of the plan's total investments.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

Method Used to Value Investments - Police Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

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 (6.14%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total Pension Liability	\$	20,911,332
Plan Fiduciary Net Position		18,541,702
Net Pension Liability	\$	2,369,630
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		89%

Actuarial Assumptions – The net pension liability was measured as of December 31, 2019 and the total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3%
Salary increases	4.5% annual increase	
Investment rate of return		7.10%
Postretirement Cost of Living Increase		0.00%

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

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	Long-Term Expected Real Rate of Return
Domestic Equity	5.50% - 7.50%
International Equity	4.50% - 6.50%
Fixed Income	1.00% - 3.00%
Alternative Instruments	5.50% - 7.50%

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.10%. The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The 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 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 law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Governmental Activities Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2018	\$ 19,062,003	\$ 15,368,759	\$ 3,693,244
Changes for the Year:			
Service Cost	549,766	-	549,766
Interest Cost	1,425,213	-	1,425,213
Changes for Experience	(91,322)	-	(91,322)
Changes of Assumptions	1,032,493	-	1,032,493
Contributions			-
Employer	-	1,093,517	(1,093,517)
Member	-	177,139	(177,139)
Net Investment Income	-	2,973,594	(2,973,594)
Benefit Payments, including refunds of member contributions	(1,066,821)	(1,066,821)	-
Administrative Expenses	-	(4,486)	4,486
	<u>1,849,329</u>	<u>3,172,943</u>	<u>(1,323,614)</u>
Net Changes			
	<u>1,849,329</u>	<u>3,172,943</u>	<u>(1,323,614)</u>
Balance at December 31, 2019	<u>\$ 20,911,332</u>	<u>\$ 18,541,702</u>	<u>\$ 2,369,630</u>

Changes in Assumptions

The actuarially determined contribution rates are based on the 1/1/17 valuation date. The mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. In prior years, the mortality rate was based on the RP-2000 Tables.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.10%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Net Pension Liability	<u>\$ 5,114,241</u>	<u>\$ 2,369,630</u>	<u>\$ 96,183</u>

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

For the year ended December 31, 2019, the Township recognized pension expense of \$860,593. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 112,332	\$ -
Change of Assumptions	1,329,343	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	672,060
	\$ 1,441,675	\$ 672,060

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

Year Ending December 31,	Governmental Activities
2020	\$ 74,743
2021	73,034
2022	311,143
2023	(123,091)
2024	198,492
Thereafter	235,294
	\$ 769,615

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not more than 48 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2019, there were no participants in the DROP plan.

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)

Plan Description

Plan Administration - The Township administers the Non-Uniform Employees' Pension Plan, a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniform employees. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the Non-Uniform Employees' Pension Plan is vested in the Pension Advisory Board, which consists of up to eight members-three Township residents appointed by the Township, the Chairman of the Board of Supervisors, one member of the Board of Supervisors, the Township Manager, one sworn police officer and one non-uniformed employee. The Pension Advisory Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors as to the administrative, operation and investment of the Non-Uniform Employees' Pension Plan.

Plan Membership - At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	21
	48

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)
 (CONTINUED)

Benefits Provided - The plan provides retirement benefits as well as death benefits. All benefits vest at 10% per year, graded up to 100% after ten years of credited service. Employees who retire at or after age 65 with 30 years of service are entitled to an annual retirement benefit, payable monthly, in an amount equal to 50% of the final average compensation reduced proportionately for less than 30 years of service. Final average compensation is the employee's average monthly earnings over the last 36 months of compensation. Married employees will receive joint and 50% survivor annuity. Early retirement benefits equal the vested accrued benefit and begin at age 65. If benefits begin before age 65, they will be reduced by 1/12 of 3.33% for each month the benefits commence before age 65.

Eligibility – Any non-uniform employee hired on or after April 27, 2014 is not eligible to participate in the plan.

The benefit provisions of the plan are established by Township ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 2.0% of the participant's pay. Member contributions are credited with 4.0% interest.

In 2019, the MMO obligation for the plan was \$156,998 for the year 2019. Contributions of \$156,998 were made by the Township, to the plan.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2019:

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)
 (CONTINUED)

Asset Class	Target Allocation
Domestic Equity	45.00%
International Equity	26.00%
Fixed Income	28.00%
Alternative Instruments	1.00%
	100.00%

Concentrations - More than 5% of the Township's investments are in exchange traded funds and mutual funds. These investments are 28% and 72%, respectively, of the plan's total investments.

Method Used to Value Investments - Non-Uniform Employees' Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Rate of Return - For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total Pension Liability	\$	6,961,780
Plan Fiduciary Net Position		6,745,234
Net Pension Liability	\$	216,546
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		97%

Actuarial Assumptions - The 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, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3%
 Salary increases 3.75% annual increase
 Investment rate of return 6.75%
 Postretirement Cost of Living Increase 0.00%

Mortality rates were based on the Pubg-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)
(CONTINUED)

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

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 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.50% - 7.50%
International Equity	4.50% - 6.50%
Fixed Income	1.00% - 3.00%
Alternative Instruments	5.50% - 7.50%

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be available to make projected future benefit payments to current and inactive employees. Therefore, the long-term expected rate of return on 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 Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Governmental Activities Increase (Decrease)		
	Total Pension Liability/(Asset)	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balance at December 31, 2018	\$ 2,896,410	\$ 2,724,709	\$ 171,701
Changes for the Year:			
Service Cost	138,322	-	138,322
Interest Cost	401,765	-	401,765
Changes of Benefit Terms	144,140	-	144,140
Changes for Experience	14,326	-	14,326
Changes of Assumptions	530,006	-	530,006
Contributions			
Employer	-	141,298	(141,298)
Member	-	325,384	(325,384)
Net Investment Income	-	884,237	(884,237)
Benefit Payments	(176,495)	(176,495)	-
Administrative Expenses	-	(8,190)	8,190
Net Changes	<u>1,052,064</u>	<u>1,166,234</u>	<u>(114,170)</u>
Balance at December 31, 2019	<u>\$ 3,948,474</u>	<u>\$ 3,890,943</u>	<u>\$ 57,532</u>

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)
(CONTINUED)

Changes in Net Pension Liability (Continued)

	Business-Type Activities Increase (Decrease)		
	Total Pension Liability/(Asset)	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balance at December 31, 2018	\$ 2,896,410	\$ 2,724,710	\$ 171,700
Changes for the Year:			
Service Cost	15,369	-	15,369
Interest Cost	44,641	-	44,641
Changes of Benefit Terms	16,016	-	16,016
Changes for Experience	1,592	-	1,592
Changes of Assumptions	58,890	-	58,890
Contributions			
Employer	-	15,700	(15,700)
Member	-	36,154	(36,154)
Net Investment Income	-	98,249	(98,249)
Benefit Payments	(19,611)	(19,611)	-
Administrative Expenses	-	(910)	910
Net Changes	<u>116,896</u>	<u>129,582</u>	<u>(12,686)</u>
Balance at December 31, 2019	<u>\$ 3,013,306</u>	<u>\$ 2,854,292</u>	<u>\$ 159,014</u>

Changes in Assumptions

In the 2019 actuarial valuation, the mortality rates were based on the PubG-2010 mortality table. In 2018, the mortality rate was based on the IRS Static Combined Table for Small Plans.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 6.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	<u>\$ 1,117,286</u>	<u>\$ 216,546</u>	<u>\$ (541,534)</u>

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

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 8 DEFINED BENEFIT PENSION PLAN (NON-UNIFORM EMPLOYEES' PENSION PLAN)
(CONTINUED)

For the year ended December 31, 2019, the Township recognized pension expense of \$58,927. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources;

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 41,322	\$ -	\$ 4,591
Change of Assumptions	615,883	-	68,431	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	234,794	-	26,088
	<u>\$ 615,883</u>	<u>\$ 276,116</u>	<u>\$ 68,431</u>	<u>\$ 30,680</u>

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

Year Ending December 31,	Governmental Activities	Business-Type Activities
2020	\$ 18,330	\$ 2,037
2021	16,458	1,829
2022	97,618	10,846
2023	(22,307)	(2,479)
2024	92,774	10,308
Thereafter	<u>136,894</u>	<u>15,211</u>
	<u>\$ 339,767</u>	<u>\$ 37,752</u>

NOTE 9 DEFINED CONTRIBUTION PLAN

The Township has established a defined contribution pension plan to provide pension benefits for its regular, full-time, non-uniformed employees. Under the plan, an individual received his own account to which all contributions are made. The employee determines how his account is invested.

Under the plan, the Township contributes 2% to 7%, dependent on the employee's chosen contribution percentage, to range from 0% to 5%.

This plan was established effective May 13, 2014. Any full-time, permanent, non-uniformed employee of the Township hired before May 31, 2014, may opt to transfer into the defined contribution plan. Each full-time, permanent, non-uniformed employee hired on or after May 13, 2014, shall become eligible upon six months of service. For the year ended December 31, 2019, contributions of \$31,863 were made to this plan.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Township provides postemployment healthcare benefits, in accordance with Township policies and collective bargaining agreements, for Police employees. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

The Township will provide medical coverage to retired officers and their spouses at age fifty for all full time police officers employed by the Township as of January 1, 2005 with twenty-five (25) years of service or is separated with a service connected disability. Any retiree who is eligible for medical insurance through other employment or through his or her spouse shall not receive postretirement health payments.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The Township will pay 70% of the premium cost for the Retiree, spouse and dependent children for five (5) years immediately following retirement. During the sixth and seventh year of retirement the Township will pay 70% of the premium cost for the Retiree only. The Township contribution is thereafter capped at 70% of the seventh year rate and the Retiree will continue to receive that benefit until the Retiree is eligible for Medicare. Any premium increases for the eighth and subsequent years will be the responsibility of the Retiree. The Township will pay 100% of the premium cost for Retired Police Chiefs, their spouse and dependent children. Coverage will terminate upon Medicare eligibility. Retiree health insurance will include the same coverage as for Active Police Employees; major medical, hospitalization, prescription, vision, and dental coverage.

All full-time non-uniformed employees, who retire under the terms of the Non-Uniform Pension Plan, may not continue in the Township's group health plan; therefore, the Township has no postemployment healthcare liability for these individuals.

The OPEB liability of the plan for measurement date December 31, 2019, was as follows:

<u>Changes in Net OPEB Liability</u>		<u>Increase (Decrease)</u>		
		<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at 12/31/18	Balance at January 1, 2018	\$ 3,930,169	\$ -	\$ 3,930,169
	Service Cost	261,328	-	261,328
	Interest on Total Pension Liability	130,716	-	130,716
	Changes in Benefits	-	-	-
	Difference between expected and actual experience	(995,658)	-	(995,658)
	Changes in assumptions	(129,663)	-	(129,663)
	Employer Contributions	-	-	-
	Net investment income	-	-	-
	Benefit payments, including employee refunds	(101,377)	-	(101,377)
	Administrative expense	-	-	-
	Other changes	-	-	-
	Net changes	<u>(834,654)</u>	<u>-</u>	<u>(834,654)</u>
Balances at 12/31/19	Balance at January 1, 2019 (Measurement Date)	<u>\$ 3,095,515</u>	<u>-</u>	<u>3,095,515</u>

Employer Contributions

The Township's contractually required contribution rate for fiscal year ended December 31, 2019 was 3.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefit Payments to the OPEB plan from the Township were \$101,377 for the year ended December 31, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At December 31, 2019, the Township reported a total OPEB liability of \$3,095,515. The total OPEB liability was measured as of January 1, 2019, and the total OPEB liability was determined by rolling forward the total OPEB liability as of January 1, 2019 to December 31, 2019.

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued):

For the year ended December 31, 2019, the Township recognized OPEB expense of \$239,573. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 896,092
Change of Assumptions	117,229	116,697
Benefits Paid Subsequent to the Measurement Date	<u>52,964</u>	<u>-</u>
	<u>\$ 170,193</u>	<u>\$ 1,012,789</u>

The Township's benefit paid subsequent to the measurement date will be recognized in expense in the subsequent year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued):

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	(99,507)
2021	(99,507)
2022	(99,507)
2023	(99,507)
2024	(99,507)
Thereafter	<u>(398,025)</u>
	<u>(895,560)</u>

Actuarial Assumptions

A summary of the actuarial assumptions used in the valuation is presented below:

- Investment Return – The assumed rates used to discount obligations are as follows: 3.64% as of January 1, 2019 and 4.10% as of 12/31/2019. These rates are reflective of S&P Municipal Bond 20 Year High Grade Rate Index.
- Salary scale – 4.50% per annum, was assumed.
- Retirement Rates – Age 50 and 25 years of service for the police.
- Termination – Sarason T-1.
- Pre-retirement Mortality – PubS-2010 mortality table, including rates for disabled and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

WARRINGTON TOWNSHIP
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

- Rates of Disablement – SOA 1987 Group LTD Table- Males, 6-month elimination.
- Post-Disablement Mortality – None assumed.
- Administrative Expenses – None assumed.
- Percent Married – 75% of employees are assumed to be married and have a spouse covered by a plan at retirement
- Age of Spouse – The female spouse is assumed to be two years younger than the male spouse for future retirees.
- Health Care Cost Trend Rate – 6% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Change of Assumptions

The discount rate changed from 3.16% to 3.64% as of January 1, 2019 and 4.10% as of December 31, 2019. The trend assumption was updated.

Actuarial Methods

- Valuation of Obligations – The Entry Age Normal Method (level percentage of pay) was used.
- Valuation of Assets – Market Value of assets was used.

Discount Rate

The following presents the net OPEB liability of the Township, calculated using the discount rate of 3.64%, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.64% percent) or 1-percent-point higher (4.64 percent) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease <u>(2.64%)</u>	Current Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Net OPEB Liability	\$ 3,366,377	\$ 3,095,515	\$ 2,846,023

Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Township, calculated using current medical inflation rate as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percent-point lower or 1-percent-point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rate			
	1% <u>Decrease</u>	Current Medical Inflation Rate	1% <u>Increase</u>
Net OPEB Liability	\$ 2,771,125	\$ 3,095,515	\$ 3,469,104

WARRINGTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Healthcare Cost Trend Rate (Continued)

The healthcare cost trend rates are 6.0% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2025 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

NOTE 11 CONTRIBUTIONS IN AID OF CONSTRUCTION

Water and sewer systems and equipment, which are constructed and installed by developers in new housing developments in the Township, are generally dedicated upon completion of each section of the development. Upon dedication, the estimated cost to construct such property is recorded as an increase to property, plant and equipment and an increase to contributions in aid of construction.

NOTE 12 RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

NOTE 13 CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

NOTE 14 PRIOR YEAR RESTATEMENT

The 2019 financial statements have been restated to add the Fire Fund that was not presented in 2018. The fund was formed in 2018; therefore, the beginning net position and fund balances as of January 1, 2019 have been increased by \$119,765.

NOTE 15 SUBSEQUENT EVENTS

The Township has evaluated subsequent events for disclosure or recording through October 1, 2020, the date the audit was ready for release.

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 the Township's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal 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. In addition, the Township's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the Township having to curtail or eliminate some services.

REQUIRED SUPPLEMENTARY INFORMATION

WARRINGTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 3,127,975	\$ 3,127,975	\$ 3,136,368	\$ 8,393
Transfer	997,564	997,564	903,474	(94,090)
Earned Income	4,920,000	4,920,000	5,098,115	178,115
Other	510,000	510,000	468,056	(41,944)
Fees and Fines	277,500	277,500	297,469	19,969
Licenses and Permits	607,200	607,200	623,841	16,641
Intergovernmental	669,050	669,050	866,470	197,420
Charges for Services	1,842,770	1,842,770	2,283,953	441,183
Investment Income and Rent	430,000	430,000	439,214	9,214
Miscellaneous	1,745,000	1,745,000	583,456	(1,161,544)
Total Revenues	<u>15,127,059</u>	<u>15,127,059</u>	<u>14,700,416</u>	<u>(426,643)</u>
Expenditures				
Current				
General Government	3,020,006	3,020,006	1,891,589	1,128,417
Public Safety	7,120,664	7,120,664	8,999,782	(1,879,118)
Public Works	2,346,122	2,346,122	1,538,950	807,172
Sanitation	132,500	132,500	168,215	(35,715)
Culture and Recreation	940,304	940,304	871,095	69,209
Debt Service				
Interest and Other Charges	-	-	63,681	(63,681)
Total Expenditures	<u>13,559,596</u>	<u>13,559,596</u>	<u>13,533,312</u>	<u>26,284</u>
Excess of Revenues Over Expenditures	<u>1,567,463</u>	<u>1,567,463</u>	<u>1,167,104</u>	<u>(452,927)</u>
Other Financing Sources (Uses)				
Transfers In	156,060	156,060	694,520	538,460
Transfers Out	(1,723,500)	(1,723,500)	(635,175)	1,088,325
Total Other Financing Sources (Uses)	<u>(1,567,440)</u>	<u>(1,567,440)</u>	<u>59,345</u>	<u>1,626,785</u>
Net Change in Fund Balance	23	23	1,226,449	1,226,426
Fund Balance at Beginning of Year	<u>4,669,802</u>	<u>4,669,802</u>	<u>4,554,449</u>	<u>(115,353)</u>
Fund Balance at End of Year	<u>\$ 4,669,825</u>	<u>\$ 4,669,825</u>	<u>\$ 5,780,898</u>	<u>\$ 1,111,073</u>

**WARRINGTON TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN
LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 549,766	\$ 500,755	\$ 479,191	\$ 413,588	\$ 395,778	\$ 366,456
Interest	1,425,213	1,306,526	1,261,133	1,122,629	1,057,529	980,495
Changes for Experience	(91,322)	-	142,668	-	231,913	-
Changes of Assumptions	1,032,493	-	504,121	-	249,376	-
Benefit Payments	(1,066,821)	(787,932)	(537,503)	(542,239)	(542,859)	(507,570)
Net Change in Total Pension Liability	1,849,329	1,019,349	1,849,610	993,978	1,391,737	839,381
Total Pension Liability - Beginning	19,062,003	18,042,654	16,193,044	15,199,066	13,807,329	12,967,948
Total Pension Liability - Ending (a)	\$ 20,911,332	\$ 19,062,003	\$ 18,042,654	\$ 16,193,044	\$ 15,199,066	\$ 13,807,329
Plan Fiduciary Net Position						
Contributions						
Employer	\$ 1,093,517	\$ 805,895	\$ 769,228	\$ 748,774	\$ 762,752	\$ 675,622
Member	177,139	135,177	169,652	153,985	154,983	114,668
Net Investment Income	2,973,594	(975,247)	2,204,980	912,143	(89,851)	790,792
Benefit Payments, Including Refunds of Member Contributions	(1,066,821)	(787,932)	(537,503)	(542,239)	(542,859)	(507,570)
Administrative Expense	(4,486)	(7,925)	(17,216)	(18,401)	(11,790)	(6,660)
Net Change in Plan Fiduciary Net Position	3,172,943	(830,032)	2,589,141	1,254,262	273,235	1,066,852
Plan Fiduciary Net Position - Beginning	\$ 15,368,759	16,198,791	13,609,650	12,355,388	12,082,153	11,015,301
Plan Fiduciary Net Position - Ending (b)	\$ 18,541,702	\$ 15,368,759	\$ 16,198,791	\$ 13,609,650	\$ 12,355,388	\$ 12,082,153
Net Pension Liability, Ending (a)-(b)	\$ 2,369,630	\$ 3,693,244	\$ 1,843,863	\$ 2,583,394	\$ 2,843,678	\$ 1,725,176
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.67%	80.63%	89.78%	84.05%	81.29%	87.51%
Covered Payroll	\$ 3,843,091	\$ 3,438,829	\$ 3,097,081	\$ 2,990,098	\$ 2,808,968	\$ 2,630,522
Net Pension Liability as a Percentage of Covered Payroll	61.66%	107.40%	59.54%	86.40%	101.24%	65.58%

Notes to Schedule:

Changes of assumptions in 2018, the mortality rates were based on the IRS 2018 Static Combined Table for Small Plans. In prior years, the mortality rates were based on the RP-2000 Tables.

This schedule is intended to show information for ten years; all available information is displayed. Additional information will be displayed as it becomes available.

**WARRINGTON TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS & INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 1,060,318	\$ 805,895	\$ 769,228	\$ 748,774	\$ 762,752	\$ 675,622
Contributions in Relation to Actuarially Determined Contribution	<u>1,093,517</u>	<u>805,895</u>	<u>769,228</u>	<u>748,774</u>	<u>762,752</u>	<u>675,622</u>
Contribution deficiency (excess)	<u>\$ (33,199)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 3,843,091</u>	<u>\$ 3,438,829</u>	<u>\$ 3,097,081</u>	<u>\$ 2,990,098</u>	<u>\$ 2,808,968</u>	<u>\$ 2,630,522</u>
Contribution as a Percentage of Covered Payroll	<u>28.45%</u>	<u>23.44%</u>	<u>24.84%</u>	<u>25.04%</u>	<u>27.15%</u>	<u>25.68%</u>

Notes to Schedule

Valuation Date for contribution rates

January 1, 2017

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	6 years
Asset Valuation Method	Market Value
Inflation	3.0%
Salary Increases	4.5%
Investment Rate of Return	7.35%
Retirement Age	Normal Retirement Age
Mortality	IRS 2017 Static Combined Table for Small Plans

Notes to Schedule

This schedule is intended to show information for ten years; all available information is displayed. Additional information will be displayed as it becomes available.

	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>19.22%</u>	<u>-6.65%</u>	<u>17.06%</u>	<u>8.16%</u>	<u>0.06%</u>	<u>7.70%</u>

Notes to Schedule

This schedule is intended to show information for ten years; all available information is displayed. Additional information will be displayed as it becomes available.

WARRINGTON TOWNSHIP
SCHEDULE OF CHANGES IN THE NET NON-UNIFORM EMPLOYEES'
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 153,691	\$ 149,682	\$ 143,236	\$ 150,773	\$ 144,280	\$ 137,707
Interest	446,406	406,284	386,034	350,284	331,281	323,696
Changes of Benefit Terms	160,155	-	-	-	-	-
Changes for Experience	15,918	-	2,742	-	(138,500)	-
Changes of Assumptions	588,896	-	217,113	-	75,005	-
Benefit Payments	(196,106)	(282,266)	(238,193)	(215,723)	(231,311)	(195,080)
Net Change in Total Pension Liability	1,168,960	273,700	510,932	285,334	180,755	266,323
Total Pension Liability - Beginning	5,792,820	5,519,120	5,008,187	4,722,853	4,542,098	4,275,775
Total Pension Liability - Ending (a)	\$ 6,961,780	\$ 5,792,820	\$ 5,519,119	\$ 5,008,187	\$ 4,722,853	\$ 4,542,098
Plan Fiduciary Net Position						
Contributions						
Employer	\$ 156,998	\$ 87,779	\$ 93,952	\$ 97,795	\$ 148,553	\$ 133,220
Member	361,538	24,012	25,847	29,048	26,332	35,970
Net Investment Income	982,485	(241,456)	819,958	355,749	(57,066)	339,170
Benefit Payments, Including Refunds of Member Contributions	(196,106)	(282,266)	(238,193)	(215,723)	(231,311)	(195,080)
Administrative Expense	(9,100)	(7,040)	(10,736)	(10,980)	(5,280)	(6,130)
Net Change in Plan Fiduciary Net Position	1,295,815	(418,971)	690,828	255,889	(118,772)	307,150
Plan Fiduciary Net Position - Beginning	5,449,419	5,868,390	5,177,562	4,921,673	5,040,445	4,733,295
Plan Fiduciary Net Position - Ending (b)	\$ 6,745,234	\$ 5,449,419	\$ 5,868,390	\$ 5,177,562	\$ 4,921,673	\$ 5,040,445
Net Pension Liability (Asset), Ending (a)-(b)	\$ 216,546	\$ 343,401	\$ (349,271)	\$ (169,375)	\$ (198,820)	\$ (498,347)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.89%	94.07%	106.33%	103.38%	104.21%	110.97%
Covered Payroll	\$ 1,417,199	\$ 1,954,027	\$ 1,856,874	\$ 1,864,272	\$ 1,832,804	\$ 1,847,086
Net Pension Liability (Asset) as a Percentage of Covered Payroll	15.28%	17.57%	-18.81%	-9.09%	-10.85%	-26.98%

Notes to Schedule:

Changes of assumptions in 2018, the mortality rates were based on the IRS 2018 Static Combined Table for Small Plans. In prior years, the mortality rates were based on the RP-2000 Tables.

This schedule is intended to show information for ten years; all available information is displayed. Additional information will be displayed as it becomes available.

**WARRINGTON TOWNSHIP
SCHEDULE OF NON-UNIFORM EMPLOYEES'
PENSION PLAN CONTRIBUTIONS AND INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 156,998	\$ 87,779	\$ 93,952	\$ 97,795	\$ 148,553	\$ 132,470
Contributions in Relation to Actuarially Determined Contribution	156,998	87,779	93,952	97,795	148,553	132,470
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,417,199	\$ 1,954,027	\$ 1,856,874	\$ 1,864,272	\$ 1,832,804	\$ 1,847,086
Contribution as a Percentage of Covered Payroll	11.08%	4.49%	5.06%	5.25%	8.11%	7.17%

Notes to Schedule

Valuation Date January 1, 2019

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	16 years
Asset Valuation Method	Market Value
Inflation	3.0%
Salary Increases	4.5%
Investment Rate of Return	7.35%
Retirement Age	Normal Retirement Age
Mortality	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Notes to Schedule

This schedule is intended to show information for ten years; all available information is displayed. Additional information will be displayed as it becomes available.

	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	16.80%	-4.41%	17.16%	8.11%	0.10%	7.70%

Notes to Schedule

This schedule is intended to show information for ten years; all available information is displayed. Additional information will be displayed as it becomes available.

WARRINGTON TOWNSHIP
 SCHEDULE OF CHANGES IN THE NET OPEB PLAN LIABILITY
 LAST 10 FISCAL YEARS*
 DECEMBER 31, 2019

	2019	2018
Service Cost	\$ 261,328	\$ 226,824
Interest	130,716	137,531
Difference between Projected and Actual Experience	(995,658)	-
Changes of Assumptions	(129,663)	143,279
Benefit Payments	(101,377)	(125,829)
Net Change in Total OPEB Liability	(834,654)	381,805
Total OPEB Liability, Beginning of Year	3,930,169	3,548,364
Total OPEB Liability, End of Year	\$ 3,095,515	\$ 3,930,169

Notes to Schedule:

Valuation Date: January 1, 2018 projected to measurement date of January 1, 2019.

Methods and Assumptions:

Participant Data	Based on census information as of January 1, 2019.
Interest Rate	3.64 % Based on S&P Municipal 20 Year High Grade Rate Index at 1/1/2019.
Salary	An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 4.50%.
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.
Retirement	Latest of age 53, age at the completion of 27 years of service, or age on the valuation date.
Percent of Eligible Retiree Electing Coverage in Plan	100% of employees are assumed to elect coverage.
Percent Married at Retirement	75% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
Spouse Age	Wives are assumed to be two years younger than their husbands.
Retiree Contributions	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
Health Care Cost Trend Rate	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial Value of Assets	Equal to the Market Value of Assets

* Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

WARRINGTON TOWNSHIP
 SCHEDULE OF OPEB PLAN CONTRIBUTIONS
 LAST 10 FISCAL YEARS*
 DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 101,377	\$ 125,829
Contributions in relation to the contractually required contribution	<u>101,377</u>	<u>125,829</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Township's covered payroll	\$ 3,554,595	\$ 3,259,351
Contributions as a percentage of covered payroll	2.85%	3.86%

*Schedule is intended to show information for ten years. Additional years will be disclosed as they become available in future years.

OTHER SUPPLEMENTARY INFORMATION

WARRINGTON TOWNSHIP
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Capital Project Funds		Special Revenue Funds		Total Other Governmental Funds
	2014 Capital Projects Fund	General Capital Fund	Highway Aid Fund	Fire Fund	
Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ 839,937	\$ 208,837	\$ 1,048,774
Due from Other Funds	-	237,175	-	-	237,175
Total Assets	\$ -	\$ 237,175	\$ 839,937	\$ 208,837	\$ 1,285,949
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ -	\$ 51,020	\$ 772	\$ 67,416	\$ 119,208
Due to Other Funds	-	-	-	100,000	100,000
Total Liabilities	-	51,020	772	167,416	219,208
Fund Balances					
Restricted					
Capital Improvements	-	186,155	-	-	186,155
Fire Services	-	-	-	41,421	41,421
Liquid Fuels	-	-	839,165	-	839,165
Unassigned (Deficit)	-	-	-	-	-
Total Fund Balances	-	186,155	839,165	41,421	1,066,741
Total Liabilities and Fund Balances	\$ -	\$ 237,175	\$ 839,937	\$ 208,837	\$ 1,285,949

WARRINGTON TOWNSHIP
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019

	Capital Project Funds		Special Revenue Funds		Total Other Governmental Funds
	2014 Capital Projects Fund	General Capital Fund	Highway Aid Fund	Fire Fund	
Revenues					
Intergovernmental	\$ -	\$ -	\$ 748,034	\$ -	\$ 748,034
Property Taxes	-	-	-	461,348	461,348
Investment Income and Rent	-	313	22,067	6,149	28,529
Total Revenues	-	313	770,101	467,497	770,414
Expenditures					
Current					
General Government	-	2,810	-	7,971	10,781
Public Safety	-	-	-	437,870	437,870
Highways and Roads	-	82,054	132,559	-	214,613
Culture and Recreation	-	34,124	-	-	34,124
Debt Service					
Principal	-	-	210,000	-	210,000
Interest and Other Charges	-	-	42,009	-	42,009
Total Expenditures	-	118,988	384,568	445,841	949,397
Deficiency of Revenues Over Expenditures	-	(118,675)	385,533	21,656	288,514
Other Financing Sources (Uses)					
Transfers In	-	237,175	-	-	237,175
Transfers Out	(384,490)	-	(88,210)	(100,000)	(572,700)
Total Other Financing Sources (Uses)	(384,490)	237,175	(88,210)	(100,000)	(335,525)
Net Change in Fund Balances	(384,490)	118,500	297,323	(78,344)	(47,011)
Fund Balances at Beginning of Year	384,490	67,655	541,842	-	993,987
Restatement	-	-	-	119,765	119,765
Fund Balances at Beginning of Year, as Restated	384,490	67,655	541,842	119,765	1,113,752
Fund Balances at End of Year	\$ -	\$ 186,155	\$ 839,165	\$ 41,421	\$ 1,066,741

WARRINGTON TOWNSHIP
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 DECEMBER 31, 2019

	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Employees Pension Fund	Total Pension Trust Funds
Assets			
Cash and Cash Equivalents	\$ 280,893	\$ 153,529	\$ 434,422
Investments	18,388,696	6,452,909	24,841,605
Due from Fiduciary Funds	-	127,887	127,887
Due from Members	-	10,909	10,909
Total Assets	<u>\$ 18,669,589</u>	<u>\$ 6,745,234</u>	<u>\$ 25,414,823</u>
Liabilities			
Due to Fiduciary Funds	<u>127,887</u>	<u>-</u>	<u>127,887</u>
Net Position			
Held in Trust for Benefits and Other Purposes	<u>\$ 18,541,702</u>	<u>\$ 6,745,234</u>	<u>\$ 25,286,936</u>
Total Liabilities and Net Position	<u>\$ 18,669,589</u>	<u>\$ 6,745,234</u>	<u>\$ 25,414,823</u>

WARRINGTON TOWNSHIP
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2019

	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Employees Pension Fund	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 1,093,517	\$ 156,998	\$ 1,250,515
Plan Members	<u>177,139</u>	<u>361,538</u>	<u>538,677</u>
Total Contributions	<u>1,270,656</u>	<u>518,536</u>	<u>1,789,192</u>
Investment Earnings			
Net Increase in Fair Value of Investments	2,731,748	884,124	3,615,872
Dividends	<u>344,394</u>	<u>127,554</u>	<u>471,948</u>
Investment Earnings (Losses), Net	<u>3,076,142</u>	<u>1,011,678</u>	<u>4,087,820</u>
Total Additions	<u>4,346,798</u>	<u>1,530,214</u>	<u>5,877,012</u>
Deductions			
Benefits Paid	1,066,821	196,106	1,262,927
Administrative	<u>107,035</u>	<u>38,293</u>	<u>145,328</u>
Total Deductions	<u>1,173,856</u>	<u>234,399</u>	<u>1,408,255</u>
Change in Net Position	3,172,942	1,295,815	4,468,757
Net Position, Beginning of Year	<u>15,368,760</u>	<u>5,449,419</u>	<u>20,818,179</u>
Net Position, End of Year	<u>\$ 18,541,702</u>	<u>\$ 6,745,234</u>	<u>\$ 25,286,936</u>



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Supervisors
Warrington Township
Warrington, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Warrington Township as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Warrington Township's basic financial statements, and have issued our report thereon dated September 3, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



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To the Board of Supervisors
Warrington Township
Warrington, Pennsylvania

Purpose of this Report

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

Jamison, Pennsylvania
September 3, 2020

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Compliance for Each Major Federal
Program and Report on Internal Control Over Compliance in Accordance
with the Uniform Guidance

Independent Auditor's Report

To the Board of Supervisors
Warrington Township, Pennsylvania

We have audited Warrington Township's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Warrington Township's major federal program for the year ended December 31, 2019. Warrington Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Basis for Qualified Opinion on Military Construction, National Guard CFDA 12.400

As described in the accompanying schedule of findings and questioned costs, Warrington Township did not comply with requirements regarding CFDA 12.400 Military Construction, National Guard as described in finding numbers 2019-001 for Reporting and 2019-002 for Standards for Program Management. Compliance with such requirements is necessary, in our opinion, for Warrington Township to comply with the requirements applicable to that program.

Qualified Opinion on Military Construction, National Guard CFDA #12.400

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Warrington Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 12.400 the Military Construction, National Guard program for the year ended December 31, 2019.



Zelenkofske Axlerod LLC

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To the Board of Supervisors
Warrington Township, Pennsylvania

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002 to be material weaknesses.

Warrington Township's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Warrington Township's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
September 3, 2020

WARRINGTON TOWNSHIP
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Expenditures</u>	<u>Total Amount Passed Through to Subrecipients</u>
U.S. Department of Defense Passed through the United States America National Guard Bureau Military Construction, National Guard	D	12.400	W912KC-15-2-3079	10/1/2015 - 9/30/20	\$ 1,017,317	\$ -
Total Federal Awards					<u>\$ 1,017,317</u>	<u>\$ -</u>

Source Codes
 I - Indirect Funding
 D - Direct Funding

The accompanying notes are integral part of the Schedule of Expenditures of Federal Awards

WARRINGTON TOWNSHIP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE 3 INDIRECT COST RATES

The Township has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

WARRINGTON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report Issued: Unmodified

Internal control over financial reporting:

Significant deficiencies identified? No

Material weakness(es) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Significant deficiencies identified? Yes

Material weakness(es) identified? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major program:

<u>Program</u>	<u>CFDA Number</u>
Military Construction, National Guard	12.400

The threshold used for distinguishing Types A and B programs: \$750,000.

Auditee qualified as a low-risk auditee? No

WARRINGTON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2019-001 Reporting (Prior Year Finding No. 2018-001)

Federal Agency: Department of Defense

Federal Program: Military Construction, National Guard - CFDA No. 12.400

Condition: The Township did not submit the required quarterly performance reports.

Criteria: The grant agreement stipulates that the Township shall submit quarterly performance reports to the Grantor. The quarterly reports are due within 30 days following the end of each calendar quarter.

Effect: The Township was not in compliance with the contractual reporting requirements.

Cause: The Township did not properly complete and file the quarterly performance reports for 2019 in accordance with the Cooperative Agreement.

Recommendation: We recommend that the Township establish a policy, procedure and internal control to ensure the reports are properly completed, reviewed for accuracy and filed on a timely basis. The completion of reports should include a step in which the Township personnel completing the report print out all supporting general ledger expense reports for the quarter, and reconcile those general ledger reports to the various amounts disclosed on the quarterly performance report. These reports and reconciliations should then be attached to and maintained with a copy of the filed reports in the Township's records. The completed report should then be submitted within 30 days of the end of each calendar quarter.

Management's Response:

Management will ensure that reports are filed on a timely basis.

2019-002 Standards for Program Management (Prior Year Finding No. 2018-002)

Federal Agency: Department of Defense

Federal Program: Military Construction, National Guard - CFDA No. 12.400

Condition: The Township does not have the required written documentation of all of their policies and procedures over the administration of the Cooperative Agreement and the federal program.

Criteria: An entity must establish and maintain effective internal control over the federal award, including compliance with the Procurement Standards. Those internal control policies and procedures must be established in writing in accordance with the Uniform Guidance. Specifically, Title 2 CFR section 200.302 of the Uniform Guidance requires written procedures to implement cash management and written procedures over the processes to determine the allowability of costs. Title 2 CFR section 200.318 of the Uniform Guidance requires written procedures for standards of conduct governing the actions of employees awarding contracts when there is a real or apparent conflict of interest. Title 2 CFR section 200.474 of the Uniform Guidance requires that travel policies should be written as costs charged to a program must be reasonable and allowable in comparison to what is allowed under the entities written travel policy.

WARRINGTON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

Effect: There is a lack of support for internal controls that are required under the Uniform Guidance.

Cause: The Township does not have these policies and procedures documented in a written policies and procedure document.

Recommendation: We recommend the Township establish written policies and procedure documents to ensure there is appropriate documentation of the internal controls in place to comply with the Uniform Guidance requirements. These written policies and procedures should, at a minimum, outline policies and procedures and controls over cash management, procurement, the determination of the allowability of costs, conflicts of interest, and travel policies.

Management's Response: While the Township does monitor activity related to the grant expenditures, has a Conflicts of Interest and a Travel Policy, the Township will develop policies that relate more specifically to federal program expenditures.

WARRINGTON TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2018-001 Reporting

Description of Finding. The Township did not submit the required quarterly performance reports within 30 days following the end of each calendar quarter as required in the Cooperative Agreement.

Current Status: Finding repeated, see finding 2019-001.

2018-002 Standards for Program Management

Description of Finding. The Township does not have the required written documentation of all of their policies and procedures over the administration of the Cooperative Agreement and respective major federal award program.

Current Status: Finding repeated, see finding 2019-002.

2018-003 Standards for Program Financial System Management

Description of Finding. The Township does not have the required policies and procedures in place to accurately and completely account for federally funded activities separately from non-federally funded activities in their financial management program.

Current Status: Management has created separate accounting codes for all federal grant activity in 2019.