

**WARRINGTON TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
**Year Ended December 31, 2018**

WARRINGTON TOWNSHIP  
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# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## 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, 2018, 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, 2018, 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).

#### ***Adoption of Governmental Accounting Standards Board Pronouncements***

As described in Note 1 to the financial statements, in 2018 Warrington Township adopted the provisions of Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the provisions of Statement No. 85, *Omnibus 2017*, and the provisions of Statement No. 86, *Certain Debt Extinguishment Issues*. Our opinion is not modified with respect to these matters.



# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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 50, and pension and OPEB plan information on pages 51 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 10, 2019 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*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
September 10, 2019

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**FINANCIAL HIGHLIGHTS**

- The assets of Warrington Township exceeded its liabilities at the close of the most recent fiscal year by \$71.2 million (net position). The Township's total net position increased by \$3.1 million before prior year restatement.
- As of the close of the current fiscal year, Warrington Township's Governmental Funds reported combined ending fund balances of \$11.6 million. Approximately \$4 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 \$4.5 million or 35.4% of General Fund expenditures.
- Warrington Township's total debt decreased by \$1.9 million during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

***Governmental Funds***

Warrington Township maintains five 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, Open Space Fund, Capital Projects 2016 Bond Fund, Capital Improvement Fund, and Debt Service Fund which are considered major funds. Individual fund data for each of the three 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 \$71.2 million at the close of the most recent fiscal year.

The largest portion of Warrington Township's net position (79.0%) is net investment in capital assets.

***Governmental Activities***

Governmental activities increased Warrington Township's net position by \$2.3 million.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**TABLE 1**  
**CONDENSED STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and Other Assets	\$ 10,831,230	\$ 12,831,853	\$ 7,757,910	\$ 9,107,213	\$ 18,589,140	\$ 21,939,066
Capital Assets					-	
Depreciable	38,627,643	37,456,733	43,953,667	46,533,568	82,581,310	83,990,301
Nondepreciable	10,632,219	8,147,151	9,019,025	4,604,860	19,651,244	12,752,011
<b>Total Assets</b>	<b>60,091,092</b>	<b>58,435,737</b>	<b>60,730,602</b>	<b>60,245,641</b>	<b>120,821,694</b>	<b>118,681,378</b>
<b>Deferred Outflows of Resources</b>						
Deferred Outflows Related to OPEB	231,631	-	-	-	231,631	
Deferred Outflows Related to Pensions	2,256,199	1,007,989	279,432	121,188	2,535,631	1,129,177
<b>Liabilities</b>						
Long-Term Liabilities Outstanding	32,579,861	31,868,120	16,301,340	16,990,703	48,881,201	48,858,823
Other Liabilities	1,917,517	1,122,634	1,431,801	853,783	3,349,318	1,976,417
<b>Total Liabilities</b>	<b>34,497,378</b>	<b>32,990,754</b>	<b>17,733,141</b>	<b>17,844,486</b>	<b>52,230,519</b>	<b>50,835,240</b>
<b>Deferred Inflows of Resources</b>						
Deferred Gain on Defeasance of Debt	34,745	31,840	40,964	47,793	75,709	79,633
Deferred Inflows Related to Pensions	38,472	689,000	38,472	138,180	76,944	827,180
<b>Total Deferred Inflows of Resources</b>	<b>73,217</b>	<b>720,840</b>	<b>79,436</b>	<b>185,973</b>	<b>152,653</b>	<b>906,813</b>
<b>Net Position</b>						
Net Investment in Capital Assets	19,301,080	26,886,326	36,923,349	37,885,989	56,224,429	64,772,315
Restricted	2,765,400	5,726,109	-	-	2,765,400	5,726,109
Unrestricted	5,941,847	(6,880,303)	6,274,109	4,450,381	12,215,956	(2,429,922)
<b>Total Net Position</b>	<b>\$ 28,008,327</b>	<b>\$ 25,732,132</b>	<b>\$ 43,197,458</b>	<b>\$ 42,336,370</b>	<b>\$ 71,205,785</b>	<b>\$ 68,068,502</b>

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**TABLE 2**  
**CONDENSED STATEMENTS OF CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenue						
Charges for Services	\$ 1,739,231	\$ 2,249,069	\$ 8,439,028	\$ 7,145,118	\$ 10,178,259	\$ 9,394,187
Operating Grants and Contributions	1,344,389	1,387,746	1,858,944	2,819,082	3,203,333	4,206,828
Capital Grants and Contributions	1,546,993	1,499,792	-	959,790	1,546,993	2,459,582
General Revenue						
Taxes	10,969,895	10,717,583	-	-	10,969,895	10,717,583
Grants & Contributions Not Restricted to Specific Programs	-	11,398	672,010	-	672,010	11,398
Investment Earnings	525,496	472,268	128,336	77,357	653,832	549,625
Miscellaneous	1,445,163	835,864	9,174	-	1,454,337	835,864
Gain on Disposal of Assets	108,212	17,472	-	-	108,212	17,472
Total Revenue	<u>17,679,379</u>	<u>17,191,192</u>	<u>11,107,492</u>	<u>11,001,347</u>	<u>28,786,871</u>	<u>28,192,539</u>
Expenditures						
Administration	2,417,480	1,941,915	-	-	2,417,480	1,941,915
Police Department	8,822,904	8,887,046	-	-	8,822,904	8,887,046
Highway/Public Works	3,031,591	3,805,897	-	-	3,031,591	3,805,897
Health, Welfare and Sanitation	150,892	146,524	-	-	150,892	146,524
Culture and Recreation	606,988	1,208,527	-	-	606,988	1,208,527
Interest on Long-Term Debt	526,329	367,169	-	-	526,329	367,169
Water and Sewer	-	-	10,093,404	8,584,863	10,093,404	8,584,863
Total Expenditures	<u>15,556,184</u>	<u>16,357,078</u>	<u>10,093,404</u>	<u>8,584,863</u>	<u>25,649,588</u>	<u>24,941,941</u>
Change in Net Position Before Transfers	2,123,195	834,114	1,014,088	2,416,484	3,137,283	3,250,598
Transfers	<u>153,000</u>	<u>150,000</u>	<u>(153,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,276,195	984,114	861,088	2,266,484	3,137,283	3,250,598
Net Position at Beginning of Year	25,732,132	26,561,175	42,336,370	40,069,886	68,068,502	66,631,061
Restatement	-	(1,813,157)	-	-	-	(1,813,157)
Net Position at Beginning of Year, As Restated	<u>25,732,132</u>	<u>24,748,018</u>	<u>42,336,370</u>	<u>40,069,886</u>	<u>68,068,502</u>	<u>64,817,904</u>
Net Position at End of Year	<u>\$ 28,008,327</u>	<u>\$ 25,732,132</u>	<u>\$ 43,197,458</u>	<u>\$ 42,336,370</u>	<u>\$ 71,205,785</u>	<u>\$ 68,068,502</u>



WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**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 \$7.9 million, a decrease of \$2.7 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 \$4.5 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 35.4% of total General Fund expenditures.

The fund balance of Warrington Township's General Fund increased by \$122,890 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 \$6.2 million. The activity in net position was an increase of \$861,088.

***General Fund Budgetary Highlights***

The following is a summarized snapshot analysis of noteworthy budgetary highlights relating to all revenues and expenditures comprising the 2018 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 36.2% of all General Fund operating revenues, posted total revenues of \$4.8 million, more than a \$83,000 increase over the budgeted amount.
- The Real Estate Transfer Tax revenue amounted to \$923,000, a decrease of approximately \$76,000 as compared to 2018 budget.
- Charges for Services which derives its revenues primarily from permits for residential and commercial development saw an increase in 2018. Revenue totaled \$1.7 million as compared to the \$1.5 million budgeted.

Fees & Fines saw an increase over budget by \$35,000 compared to budget.

***Expenditures*** - General Fund expenditures totaled \$12.9 million, representing a small increase \$67,712 over Budget.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**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, 2018, amounts to \$102,2 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 increase in Warrington Township's investment in capital assets for the current fiscal year was 6.0%.

The following comprise major project expenditures in 2018:

- Street Repaving, 4 miles totaled \$966,000
- Police Station design and project implementation \$295,631
- Open Space Acquirements \$2,485,000
- Police patrol and department vehicles with equipment were purchased or leased for a total of \$346,794

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Capital Assets						
Land and Improvements	\$ 4,994,027	\$ 4,994,027	\$ 161,764	\$ 161,764	\$ 5,155,791	\$ 5,155,791
Infrastructure	62,558,488	61,561,156	87,888,876	87,216,866	150,447,364	148,778,022
Buildings and Improvements	10,874,445	8,756,874	7,321,254	7,321,254	18,195,699	16,078,128
Machinery and Equipment	7,442,492	6,970,623	1,991,744	1,991,744	9,434,236	8,962,367
Construction in Progress	5,638,192	3,153,124	8,857,261	4,443,096	14,495,453	7,596,220
	91,507,644	85,435,804	106,220,899	101,134,724	197,728,543	186,570,528
Accumulated Depreciation	(42,247,782)	(39,831,920)	(53,248,207)	(49,996,298)	(95,495,989)	(89,828,218)
Capital Assets, Net	<u>\$ 49,259,862</u>	<u>\$ 45,603,884</u>	<u>\$ 52,972,692</u>	<u>\$ 51,138,426</u>	<u>\$ 102,232,554</u>	<u>\$ 96,742,310</u>

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**Long-Term Debt**

At the end of the current fiscal year, Warrington Township had total bonded debt outstanding of \$36,245,720. 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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds and Notes	21,910,720	\$ 23,441,190	\$ -	\$ -	\$ 21,910,720	\$ 23,441,190
Revenue Bonds	-	-	14,335,000	15,095,000	14,335,000	15,095,000
Capital Leases	1,703,651	1,783,166	-	-	1,703,651	1,783,166
	<u>\$ 23,614,371</u>	<u>\$ 25,224,356</u>	<u>\$ 14,335,000</u>	<u>\$ 15,095,000</u>	<u>\$ 37,949,371</u>	<u>\$ 40,319,356</u>

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In 2018, Warrington Township saw residential and commercial development projects that were at the completion stages or in the initial planning stages. However, considerable development activity is still anticipated to occur throughout the township in the upcoming year as there are several projects scheduled to begin in 2019. 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.

Included in the 2019 budget is the re-establishment of a fund to support the services of the volunteer fire company (previously known as the Fire Tax Fund). In order to re-establish this fund, a 1.25 millage increase was imposed for the Volunteer Fire Company Fund. Conversely, there was a partial millage reduction in the General Fund in the amount of 0.3 mills. The net overall increase to taxpayers is 0.95 mills. For the average Warrington resident assessed at \$38,525, this represents a \$37 increase to their township real estate tax bill.

**2019 Adopted Spending Plan**

For 2019, a fiscally conservative and balanced budget was adopted. Expenditures are estimated at \$15.28 million as compared to the \$13.37 million spent in 2018, representing a 5.77% increase over 2018. The table below shows the 2018-2020 General Fund budget summaries.

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

**Table 5**  
**General Fund Budget Summaries: 2015 - 2018 (In Millions)**

Description	2016 Actual	2017 Actual	2018 Actual	2019 Proposed
Expenditures	13.3	12.6	15.7	15.8
Revenues	14.0	13.1	15.9	15.9
Net Change in Fund Balance	0.7	0.5	0.2	0.1
Ending Fund Balance	3.9	4.4	4.6	4.7
% Fund Balance To Expenditures	29.5%	35.1%	29.0%	29.9%

***2019 Cost Drivers and Budget Variations***

The Adopted 2019 budget reflects an increase in expenditures as compared to 2018. While there is a modest increase in expenditures, Warrington Township continues to have a fiscally conservative budget. Below are some of the noteworthy cost drivers which impacted 2019 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 2018 the cost of health insurance premiums only increased by 3.5%. For 2019 the increase is expected to be 6%. In the past, the Township took measures to modify employee coverages to reduce premiums.

The Township also implemented processes to keep down the cost of workers' compensation premiums. Part of this plan includes having a Workplace Safety Committee that meets regularly and has achieved a workplace safety certification. The lower number of claims resulted in a rebate check.

***Residential and Commercial Development***

In 2019, there are single homes and townhomes scheduled to be built in Emerson Farms, Perry Farm at Warrington, and Parkview at Warrington.

**GENERAL FUND FISCAL TREND ANALYSIS: 2018 - 2023**

***Long Range Forecast for Revenues***

By the end of 2019, the fund balance for the General Fund is projected to be over 30% (available cash balance divided by 2019 expenditures), which exceeds the 15% Government Finance Officers Association (GFOA) requirement. The Township has worked diligently to maintain a health fund balance. While the projected fund balance meets the requisite GFOA balance, it is necessary to consider future revenue and expenditure trends

WARRINGTON TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
DECEMBER 31, 2018

In 2019, Real Estate Taxes and Earned Income Taxes are expected to continue an upward trend due to the robust economy and ongoing construction. It is anticipated that Real Estate Transfer Taxes will increase into 2018 with the completion of residential and commercial building projects. This construction activity has a direct correlation to increases in 2019 building permit revenue as well as Park and Recreation Assessment Fees.

Cable Television Franchise fees continue to be a significant revenue category. However, in 2018, rental income was decreased due to a loss of a cell tower renter, which lead to a reduction in rental income estimates by about \$75,000 per year.

Expenses associated with streetlights will decline in 2019. In 2018, over 1400 streetlights were converted to LED fixtures and the upgrades will cause a decrease in required maintenance and electricity expenditures. This savings will be offset by the Debt Service on purchasing and installing the LED light fixtures.

There are numerous vehicle and equipment purchases as well as capital projects budgeted for 2019. Capital projects slated to be completed in 2019 include:

- Road resurfacing totaling \$850,000
- Storm Drainage Improvements and Rehabilitation totaling \$1,900,000
- Police Station/Township Building totaling \$4,000,000.
- Meter Replacement totaling \$2,564,000.

The Township property tax rate for 2019 is 16.12 mills. This is an increase of 1.83 mills over the 14.21 mills for 2018. The change in millage is attributed to the increase of 1.00 mills for the Debt Service Fund and an increase of .83 mills for the General Fund.

**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](http://www.warringtontownship.org)) or at the Township Office located at 852 Easton Road, Warrington, Pennsylvania 18976-2090. by completing a Request Form found on our website ([www.warringtontownship.org](http://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, 2018

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
Cash and Cash Equivalents	\$ 7,600,554	\$ 5,715,889	\$ 13,316,443
Receivables	3,251,250	1,620,699	4,871,949
Internal Balances	(91,636)	91,636	-
Due From Other Governments	-	200,349	200,349
Other Assets	9,500	128,861	138,361
Prepaid Expenses	8,020	476	8,496
Bond discounts	53,542	-	53,542
<b>Capital Assets</b>			
Land	4,994,027	161,764	5,155,791
Construction in Progress	5,638,192	8,857,261	14,495,453
Infrastructure	62,558,488	-	62,558,488
Buildings and Improvements	10,874,445	7,321,254	18,195,699
Machinery, Vehicles and Equipment	7,442,492	1,991,744	9,434,236
Utility System	-	87,888,876	87,888,876
Accumulated Depreciation	<u>(42,247,782)</u>	<u>(53,248,207)</u>	<u>(95,495,989)</u>
Total Assets	<u>60,091,092</u>	<u>60,730,602</u>	<u>120,821,694</u>
<b>Deferred Outflows</b>			
Deferred Outflows Related to OPEB	231,631	-	231,631
Deferred Outflows Related to Pensions	<u>2,256,199</u>	<u>279,432</u>	<u>2,535,631</u>
Total Assets	<u>2,487,830</u>	<u>279,432</u>	<u>2,767,262</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	1,394,692	1,431,801	2,826,493
Unearned Revenue	82,080	-	82,080
Escrows Payable	440,745	-	440,745
<b>Long Term Liabilities:</b>			
Portion Due or Payable Within One Year			
Bonds, Notes and Capital Leases	1,860,553	790,000	2,650,553
Accrued Interest	35,570	71,544	107,114
Portion Due or Payable After One Year			
Bonds, Notes and Capital Leases	21,753,818	13,545,000	35,298,818
Bond Premiums	580,721	1,714,344	2,295,065
Compensated Absences	554,085	8,751	562,836
Net Pension Liability	3,864,945	171,700	4,036,645
Net OPEB Obligation	<u>3,930,169</u>	<u>-</u>	<u>3,930,169</u>
Total Liabilities	<u>34,497,378</u>	<u>17,733,140</u>	<u>52,230,518</u>
<b>Deferred Inflows of Resources</b>			
Deferred Gain on Defeasance of Debt	34,745	40,964	75,709
Deferred Inflows Related to Pensions	<u>38,472</u>	<u>38,472</u>	<u>76,944</u>
Total Deferred Inflows of Resources	<u>73,217</u>	<u>79,436</u>	<u>152,653</u>
<b>Net Position</b>			
Net Investment in Capital Assets	19,301,080	36,923,349	56,224,429
Restricted	2,765,400	-	2,765,400
Unrestricted	<u>5,941,847</u>	<u>6,274,109</u>	<u>12,215,956</u>
Total Net Position	<u>\$ 28,008,327</u>	<u>\$ 43,197,458</u>	<u>\$ 71,205,785</u>

WARRINGTON TOWNSHIP  
YEAR ENDED STATEMENT OF ACTIVITIES  
DECEMBER 31, 2018

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
<b>Governmental Activities:</b>							
General Government	\$ 2,417,480	\$ 1,271,974	\$ 466,254	\$ -	\$ (679,252)	\$ -	\$ (679,252)
Public Safety	8,822,904	41,921	150,872	-	(8,630,111)	-	(8,630,111)
Public Works	3,031,591	-	727,263	-	(2,304,328)	-	(2,304,328)
Sanitation	150,892	161,390	-	-	10,498	-	10,498
Culture/Recreation	606,988	263,946	-	1,546,993	1,203,951	-	1,203,951
Interest on Long-Term Debt	526,329	-	-	-	(526,329)	-	(526,329)
<b>Total Governmental Activities</b>	<b>15,556,184</b>	<b>1,739,231</b>	<b>1,344,389</b>	<b>1,546,993</b>	<b>(10,925,571)</b>	<b>-</b>	<b>(10,925,571)</b>
<b>Business-Type Activities:</b>							
Water and Sewer	8,355,785	8,439,028	406,931	-	-	490,174	490,174
<b>Total Township Activities</b>	<b>\$ 23,911,969</b>	<b>\$ 10,178,259</b>	<b>\$ 1,751,320</b>	<b>\$ 1,546,993</b>	<b>-</b>	<b>490,174</b>	<b>-</b>
<b>General Revenues:</b>							
Taxes							
Property Taxes					4,652,619	-	4,652,619
Earned Income Tax					4,890,202	-	4,890,202
Local Services Tax					492,932	-	492,932
Real Estate Transfer Tax					923,360	-	923,360
Public Utility Realty Tax					10,782	-	10,782
Interest, Investment Earnings and Royalties					525,496	128,336	653,832
Grants and Contributions Not Restricted to Specific Programs					-	672,010	672,010
Miscellaneous					1,445,163	9,174	1,454,337
Gain on Disposal of Assets					108,212	-	108,212
Transfers					153,000	(153,000)	-
<b>Total General Revenues and Transfers</b>					<b>13,201,766</b>	<b>656,520</b>	<b>13,858,286</b>
Change in Net Position					2,276,195	1,146,694	3,422,889
Net Position - Beginning					27,545,289	42,336,370	69,881,659
Prior Year Restatement					(1,813,157)	(285,606)	(2,098,763)
Net Position, Beginning, As Restated					25,732,132	42,050,764	67,782,896
Net Position - Ending					\$ 28,008,327	\$ 43,197,458	\$ 71,205,785

The accompanying notes are an integral part of the financial statements

WARRINGTON TOWNSHIP  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

<u>Assets</u>	General Fund	Open Space Fund	2016 Capital Projects Fund	Capital Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 2,701,018	\$ 683,673	\$ 2,608,844	\$ -	\$ 454,395	\$ 1,152,624	\$ 7,600,554
Accounts Receivable	307,543	1,000,000	50,641	-	-	-	1,358,184
Taxes Receivable	931,074	-	-	-	13,569	-	944,643
Due From Other Funds	1,683,231	-	-	-	34,240	2,423	1,719,894
Due from Escrow Fund	9,500	-	-	-	-	-	9,500
Prepaid Expenses	8,020	-	-	-	-	-	8,020
<b>Total Assets</b>	<b>\$ 5,640,386</b>	<b>\$ 1,683,673</b>	<b>\$ 2,659,485</b>	<b>\$ -</b>	<b>\$ 502,204</b>	<b>\$ 1,155,047</b>	<b>\$ 11,640,795</b>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 356,910	\$ 59,193	\$ 193,024	\$ -	\$ 505,106	\$ 72,850	\$ 1,187,083
Due to Other Funds	-	-	1,138,556	584,764	-	88,210	1,811,530
Escrow Payables	440,745	-	-	-	-	-	440,745
Unearned Revenues	82,080	-	-	-	-	-	82,080
Accrued Expenses	189,039	-	-	-	-	-	189,039
<b>Total Liabilities</b>	<b>1,068,774</b>	<b>59,193</b>	<b>1,331,580</b>	<b>584,764</b>	<b>505,106</b>	<b>161,060</b>	<b>3,710,477</b>
<u>Deferred Inflow of Resources</u>							
Unavailable Revenues - Property Taxes	17,163	-	-	-	6,831	-	23,994
<u>Fund Balances</u>							
Nonspendable, Prepaid Expenses	8,020	-	-	-	-	-	8,020
Restricted							
Capital Improvements	-	-	1,327,905	-	-	67,655	1,395,560
Open Space and Parkland Improvements	-	1,624,480	-	-	-	-	1,624,480
Assigned							
Capital Projects	-	-	-	-	-	384,490	384,490
Highways and Streets	-	-	-	-	-	541,842	541,842
Unassigned (Deficit)	4,546,429	-	-	(584,764)	(9,733)	-	3,951,932
<b>Total Fund Balances</b>	<b>4,554,449</b>	<b>1,624,480</b>	<b>1,327,905</b>	<b>(584,764)</b>	<b>(9,733)</b>	<b>993,987</b>	<b>7,906,324</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 5,640,386</b>	<b>\$ 1,683,673</b>	<b>\$ 2,659,485</b>	<b>\$ -</b>	<b>\$ 502,204</b>	<b>\$ 1,155,047</b>	<b>\$ 11,640,795</b>

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, 2018

Total Governmental Funds Balances	\$ 7,906,324
<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	4,994,027
Construction in Progress	5,638,192
Infrastructure	62,558,488
Buildings and Improvements	10,874,445
Machinery, Vehicles and Equipment	7,442,492
Accumulated Depreciation	(42,247,782)
<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	53,542
Deferred Gain on Defeasance of Debt	(34,745)
<p>Deferred inflows and outflows related to pension activities are financial resources and therefore are not reported in the governmental funds.</p>	
	2,217,727
<p>Deferred inflows and outflows related to OPEB activities are financial resources and therefore are not reported in the governmental funds.</p>	
	231,631
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the governmental activities on the statement of net position.</p>	
	948,423
<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	(35,570)
Bonds, Notes and Capital Leases	(23,614,371)
Bond Premiums	(580,721)
Compensated Absences	(554,085)
Net Pension Liability	(3,864,945)
Net OPEB Obligation	(3,930,169)
<p>Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	5,424
Net Position of Governmental Activities	\$ 28,008,327

WARRINGTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2018

	General Fund	Open Space Fund	2016 Capital Projects Fund	Capital Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
<b>Taxes</b>							
Property	\$ 2,822,927	\$ -	\$ -	\$ -	\$ 1,836,582	\$ -	\$ 4,659,509
Transfer	923,360	-	-	-	-	-	923,360
Earned Income	4,803,224	-	-	-	-	-	4,803,224
Other	492,932	-	-	-	-	-	492,932
Fees and Fines	290,413	-	-	-	-	-	290,413
Licenses and Permits	625,432	-	-	-	-	-	625,432
Intergovernmental	662,231	1,546,994	-	-	-	727,263	2,936,488
Charges for Services	1,739,231	-	-	-	-	-	1,739,231
Investment Income and Rent	428,744	14,780	32,019	-	8,297	41,656	525,496
Miscellaneous	494,992	-	-	-	-	-	494,992
<b>Total Revenues</b>	<b>13,283,486</b>	<b>1,561,774</b>	<b>32,019</b>	<b>-</b>	<b>1,844,879</b>	<b>768,919</b>	<b>17,491,077</b>
<b>Expenditures</b>							
<b>Current</b>							
General Government	1,801,149	-	685,624	119,185	15,999	31,838	2,653,795
Public Safety	8,308,122	-	-	259,728	-	-	8,567,850
Public Works	1,846,996	59,857	1,140,705	339,462	-	365,461	3,752,481
Sanitation	150,892	-	-	-	-	-	150,892
Culture/Recreation	710,592	2,251,682	159,503	-	-	261,560	3,383,337
Refund of Prior Year Revenue	806	-	-	-	-	-	806
<b>Debt Service</b>							
Principal	-	-	-	-	1,328,060	205,000	1,533,060
Interest and Other Charges	63,681	-	-	-	518,822	46,109	628,612
<b>Total Expenditures</b>	<b>12,882,238</b>	<b>2,311,539</b>	<b>1,985,832</b>	<b>718,375</b>	<b>1,862,881</b>	<b>909,968</b>	<b>20,670,833</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>401,248</b>	<b>(749,765)</b>	<b>(1,953,813)</b>	<b>(718,375)</b>	<b>(18,002)</b>	<b>(141,049)</b>	<b>(3,179,756)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from Sale of Capital Assets	55,500	-	-	52,712	-	-	108,212
Proceeds from Capital Leases	225,642	-	-	-	-	-	225,642
Transfers In	153,000	200,000	-	412,500	-	300,000	1,065,500
Transfers Out	(712,500)	-	-	-	-	(200,000)	(912,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(278,358)</b>	<b>200,000</b>	<b>-</b>	<b>465,212</b>	<b>-</b>	<b>100,000</b>	<b>486,854</b>
<b>Net Change in Fund Balances</b>	<b>122,890</b>	<b>(549,765)</b>	<b>(1,953,813)</b>	<b>(253,163)</b>	<b>(18,002)</b>	<b>(41,049)</b>	<b>(2,692,902)</b>
<b>Fund Balances (Deficit) - Beginning of Year</b>	<b>4,431,559</b>	<b>2,174,245</b>	<b>3,281,718</b>	<b>(331,601)</b>	<b>8,269</b>	<b>1,035,036</b>	<b>10,599,226</b>
<b>Fund Balances (Deficit) - End of Year</b>	<b>\$ 4,554,449</b>	<b>\$ 1,624,480</b>	<b>\$ 1,327,905</b>	<b>\$ (584,764)</b>	<b>\$ (9,733)</b>	<b>\$ 993,987</b>	<b>\$ 7,906,324</b>

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (2,692,902)
<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 (\$6,071,840) exceeds depreciation (\$2,415,862) in the current period</p>	
	3,655,978
<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>	
	70,178
<p>Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.</p>	
	(6,890)
<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>	
	86,978
<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>	
	1,835,627
<p>Capital leases are revenues in the Governmental Funds, but these amounts increase the long-term liabilities in the statement of net position.</p>	
	(225,642)
<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	32,105
Pension plan expense	(296,980)
OPEB plan expense	(150,174)
<p>In the statement of activities, certain operating expenses - compensated absences (Vacations, comp time and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measure by the amount of financial resources used (essentially, the amounts actually paid).</p>	
	(32,083)
Change in Net Position of Governmental Activities	\$ 2,276,195

WARRINGTON TOWNSHIP  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2018

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,715,889
Accounts Receivable	1,620,699
Due from Other Funds	618,619
Due from Other Governments	200,349
Other Receivables	984
Notes Receivable	19,813
Prepaid Expenses	476
Total Current Assets	8,176,828
Non-Current Assets:	
Notes Receivable	108,064
Capital Assets	
Land	161,764
Utility System	43,953,668
Construction in Progress	8,857,261
Total Non-Current Assets	53,080,757
Total Assets	61,257,585
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	279,432
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	1,390,194
Salaries Payable	41,607
Accrued Interest Payable	71,544
Due to Other Funds	526,983
Bonds Payable	790,000
Total Current Liabilities	2,820,328
Non-Current Liabilities	
Net Pension Liability	171,700
Compensated Absences	8,751
Bonds Payable	13,545,000
Bond Premiums	1,714,344
Total Non-Current Liabilities	15,439,795
Total Liabilities	18,260,123
Deferred Inflows of Resources	
Deferred Gain on Defeasance of Debt	40,964
Deferred Inflows related to Pensions	38,472
Total Deferred Inflows of Resources	79,436
Net Position	
Net Investment in Capital Assets	36,923,349
Unrestricted	6,274,109
Total Net Position	\$ 43,197,458

WARRINGTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund
	Water and Sewer Fund
Operating Revenues	
Charges for Services	\$ 7,461,964
Other Revenues	9,174
Total Operating Revenues	7,471,138
Operating Expenses	
Water and Sewer Operations	5,042,891
Sewer Operations	8,784
General and Administrative	1,116,121
Depreciation	3,251,909
Total Operating Expenses	9,419,705
Operating Income (Loss)	(1,948,567)
Nonoperating Revenues and Expenses	
Interest and Investment Revenue	128,336
Connection Fees	87,781
Grants and Contributions	1,858,944
Tapping Fees	889,283
Interest Expense	(673,699)
Total Nonoperating Revenues and Expenses	2,290,645
Income Before Transfers and Capital Contributions	342,078
Transfers In	3,560,725
Transfers Out	(3,713,725)
Capital Contributions	672,010
Change in Net Position	861,088
Net Position - Beginning of Year	42,336,370
Net Position - End of Year	\$ 43,197,458

WARRINGTON TOWNSHIP  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund
	Water and Sewer Fund
<b>Cash Flow From Operating Activities</b>	
Cash Received from Customers	\$ 10,194,059
Payments to Employees	(2,692,423)
Payments to Suppliers	(2,810,270)
	4,691,366
<b>Net Cash Provided by (Used in) Operating Activities</b>	
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers to Other Funds	(153,000)
Due to Other Funds	526,983
	373,983
<b>Net Cash Used by Noncapital Financing Activities</b>	
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition, Construction and Improvements of Capital Assets	(5,086,175)
Bond Principal Repayment	(760,000)
Interest Paid on Bonds	(780,293)
Grants and Contributions	2,530,954
	(4,095,514)
<b>Net Cash Used by Capital and Related Financing Activities</b>	
<b>Cash Flows from Investing Activities</b>	
Payments Received on Notes Receivable	25,902
Earnings on Investments	128,336
	154,238
<b>Net Cash Provided by (Used in) Investing Activities</b>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	
	1,124,073
Cash and Cash Equivalents- Beginning of Year	4,591,816
	5,715,889
	\$ 5,715,889
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (1,948,567)
Connection Fees, Tapping Fees and Other Miscellaneous Activity	977,064
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	3,251,909
Pension Expense	88,382
(Increase) Decrease in	
Accounts Receivable	153,395
Other Receivables	5
Due from Other Governments	1,592,456
Increase (Decrease) in	
Accounts Payable	554,371
Accrued Salaries and Benefits	22,351
	4,691,366
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 4,691,366</b>

WARRINGTON TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2018

	Pension <u>Trust Funds</u>	<u>Escrow Fund</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,322,155	\$ 722,887
Investments	18,485,114	-
Accounts Receivable	-	92,513
Due from Members	<u>10,909</u>	<u>-</u>
Total Assets	<u>\$ 20,818,178</u>	<u>\$ 815,400</u>
<b>Liabilities</b>		
Accounts Payable	<u>\$ -</u>	<u>\$ 815,400</u>
Total Liabilities	<u>-</u>	<u>\$ 815,400</u>
<b>Net Position</b>		
Held in Trust for Benefits and Other Purposes	<u>20,818,178</u>	
Total Liabilities and Net Position	<u>\$ 20,818,178</u>	

WARRINGTON TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2018

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 537,510
Plan Members	159,188
State	463,754
Total Contributions	1,160,452
Investment Earnings	
Net Decrease in Fair Value of Investments	(1,891,266)
Dividends	783,589
Investment Activity Expense	(43,691)
Investment Earnings, Net	(1,151,368)
Total Additions	9,084
Deductions	
Benefits	1,177,854
Administrative	80,233
Total Deductions	1,258,087
Change in Net Position	(1,249,003)
Net Position, Beginning of Year	22,067,181
Net Position, End of Year	\$ 20,818,178



WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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 agency meets the above criteria; therefore, no other agency 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 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, 2018

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 of 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 Open Space Fund accounts for open space and parkland improvements throughout the Township.
- The 2016 Capital Projects Fund accounts for capital projects throughout the Township.
- The Capital Fund accounts for capital purchases and construction for various projects throughout the Township.
- The Debt Service Fund accounts for payments of principal and interest on 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.

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.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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 budget revisions made during the year. The Board authorized the use of unallocated fund balance in 2018.
5. Budgets for the funds are prepared on the modified accrual basis of accounting.

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

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

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.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

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 fund balance reserve 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, 2018, 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.

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, 2018, 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 fair market value at the date of transfer.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

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:

	Years
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.

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 short-term investments.

Compensated Absences – Certain unused vacation and sick benefits do not lapse at year-end without approval of the Township. As of December 31, 2018, \$554,085 was accumulated for governmental activities.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, 2018, the Board has not delegated the authority to assign fund balance.
- 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 becomes 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.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/inflows of Resources (Continued)

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 pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of differences between expected and actual experience of the pension plan and the net difference between projected and actual earnings on pension plan investments. 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 Township adopted the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement restated prior year net position as described in Note 14 in the financial statement notes.

The Township adopted the provisions of GASB's Statement No. 85, *Omnibus 2017*. The adoption of this Statement had no effect on previously reported amounts.

The Township adopted the provisions of GASB's Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of this Statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

The Government Accounting Standards Board has issued GASB's Statement No. 83, *Certain Asset Retirement Obligations*. This Statement is required to be adopted by the Township for the year ending December 31, 2019.

The Government Accounting Standards Board has issued GASB's Statement No. 84, *Fiduciary Activities*. This Statement is required to be adopted by the Township for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 87, *Leases*. This Statement is required to be adopted by the Township for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB's 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 ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's 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 the year ending December 31, 2020.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Changes in Accounting Principles (Continued)

The Governmental Accounting Standards Board has issued GASB's 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 ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 91, *Conduit Debt Obligations*. This Statement is required to be adopted by the Township for the year ending December 31, 2021.

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

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, 2018, \$1,000,000 of the Township's bank balance of \$13,328,671 was insured by the FDIC. Of the remaining \$12,328,671, \$8,481,264 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. \$3,847,407 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, 2018:

<u>Investment Type</u>	Fair Value	
	Level 1 Inputs	Less Than One Year
Pension Activities		
Mutual Funds	\$ 18,485,114	\$ 18,485,114

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.



WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 3 CAPITAL ASSETS

Changes in capital asset activity for the year ended December 31, 2018, were as follows:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 4,994,027	\$ -	\$ -	\$ 4,994,027
Construction in Progress	3,153,124	2,485,068	-	5,638,192
Total Capital Assets Not Being Depreciated	8,147,151	2,485,068	-	10,632,219
Capital Assets Being Depreciated				
Infrastructure	61,561,156	997,332	-	62,558,488
Buildings and Improvements	8,756,874	2,117,571	-	10,874,445
Machinery, Vehicles and Equipment	6,970,623	471,869	-	7,442,492
Total Capital Assets Being Depreciated	77,288,653	3,586,772	-	80,875,425
Accumulated Depreciation				
Infrastructure	33,470,051	1,835,372	-	35,305,423
Buildings and Improvements	1,830,286	208,756	-	2,039,042
Machinery, Vehicles and Equipment	4,531,583	371,734	-	4,903,317
Total Accumulated Depreciation	39,831,920	2,415,862	-	42,247,782
Total Capital Assets Being Depreciated, Net	37,456,733	1,170,910	-	38,627,643
Governmental Activities Capital Assets, Net	\$ 45,603,884	\$ 3,655,978	\$ -	\$ 49,259,862

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Administrative	\$ 82,023
Police and Emergency Services	252,296
Public Works, Including Depreciation of General Infrastructure, Except Park Systems	1,677,322
Parks and Recreation, Including Depreciation Relating to Park Systems	404,221
Total Governmental Activities	<u>2,415,862</u>

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
<b>Business-Type Activities</b>				
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 161,764	\$ -	\$ -	\$ 161,764
Construction in Progress	4,443,096	4,414,165	-	8,857,261
Total Capital Assets not Being Depreciated	4,604,860	4,414,165	-	9,019,025
<b>Capital Assets Being Depreciated</b>				
Collection, Distribution, Reserve, Treatment Systems	87,216,866	672,010	-	87,888,876
Buildings and Improvements	7,321,254	-	-	7,321,254
Equipment and Vehicles	1,991,744	-	-	1,991,744
Total Capital Assets Being Depreciated	96,529,864	672,010	-	97,201,874
<b>Accumulated Depreciation</b>				
Collection, Distribution, Reserve, Treatment Systems	(44,928,467)	(3,020,967)	-	(47,949,434)
Buildings and Improvements	(3,209,495)	(190,475)	-	(3,399,970)
Equipment and Vehicles	(1,858,336)	(40,467)	-	(1,898,803)
Total Accumulated Depreciation	(49,996,298)	(3,251,909)	-	(53,248,207)
Total Capital Assets Being Depreciated, Net	46,533,566	(2,579,899)	-	43,953,667
Business-Type Activities Capital Assets, Net	\$ 51,138,426	\$ 1,834,266	\$ -	\$ 52,972,692

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are as follows:

	Due from Other Funds	Due to Other Funds
<b>Governmental Funds</b>		
General Fund	\$ 1,683,231	\$ -
2016 Capital Projects Fund	-	1,138,556
Capital Fund	-	584,764
Debt Service Fund	34,240	-
Other Governmental Funds	2,423	88,210
<b>Proprietary Fund</b>		
Water and Sewer Fund	618,619	526,983
	<u>\$ 2,338,513</u>	<u>\$ 2,338,513</u>

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.

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers are as follows:

	Transfer Out	Transfer In
General Fund	\$ 712,500	\$ 153,000
Open Space	-	200,000
Capital Fund	-	412,500
Other Governmental Funds	200,000	300,000
Water and Sewer Fund	3,713,725	3,560,725
	\$ 4,626,225	\$ 4,626,225

Interfund balances 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.

NOTE 5 LONG-TERM DEBT

Summary of Activity

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds and Notes					
Series of 1997	\$ 24,400	\$ -	\$ (24,400)	\$ -	\$ -
Series of 2012A	3,505,000	-	(585,000)	2,920,000	555,000
Series of 2012B	2,010,000	-	(205,000)	1,805,000	210,000
Series of 2013	8,035,000	-	(355,000)	7,680,000	415,000
Series of 2014	4,215,000	-	(100,000)	4,115,000	105,000
Series of 2016	5,651,790	-	(261,070)	5,390,720	266,590
<b>Total General Obligation Bonds and Notes</b>	<b>23,441,190</b>	<b>-</b>	<b>(1,530,470)</b>	<b>21,910,720</b>	<b>1,551,590</b>
Bond Premiums	661,860	-	(81,139)	580,721	-
Deferred Issuance Discount	(61,598)	-	8,056	(53,542)	-
Deferred Gain on Defeasance	31,840	-	2,905	34,745	-
Capital Leases	1,783,166	225,642	(305,157)	1,703,651	308,963
Compensated Absences	522,002	32,083	-	554,085	-
Net Pension Liability	1,843,863	2,021,082	-	3,864,945	-
Net OPEB Obligation	3,548,364	381,805	-	3,930,169	-
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 31,770,687</b>	<b>\$ 2,660,612</b>	<b>\$ (1,905,805)</b>	<b>\$ 32,525,494</b>	<b>\$ 1,860,553</b>
<b>Business-Type Activities</b>					
General Obligation Bonds, Series of 2014	15,095,000	-	(760,000)	14,335,000	790,000
Deferred Issuance Premium	1,828,633	-	(114,289)	1,714,344	-
Deferred Gain on Defeasance	47,793	-	(6,829)	40,964	-
Net Pension Liability	(174,635)	346,335	-	171,700	-
Compensated Absences	10,049	-	(1,298)	8,751	-
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$ 16,806,840</b>	<b>\$ 346,335</b>	<b>\$ (882,416)</b>	<b>\$ 16,270,759</b>	<b>\$ 790,000</b>

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 5 LONG-TERM DEBT (CONTINUED)

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		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 1,551,590	\$ 612,175	\$ 790,000	\$ 657,994
2020	1,587,210	569,723	820,000	626,394
2021	1,637,950	518,041	855,000	585,394
2022	1,673,820	481,673	900,000	542,644
2023	1,759,820	442,838	945,000	497,644
2024	1,800,930	402,299	990,000	450,394
2025	1,847,180	359,702	740,000	400,894
2026	1,888,560	314,218	780,000	363,894
2027	847,190	324,013	815,000	324,894
2028	887,590	288,159	860,000	284,144
2029	958,400	258,999	885,000	258,344
2030	984,650	226,195	910,000	230,688
2031	1,011,340	192,462	940,000	202,250
2032	1,053,520	149,162	985,000	155,250
2033	831,190	103,959	1,035,000	106,000
2034	869,360	65,531	1,085,000	54,250
2035	353,080	25,321	-	-
2036	367,340	11,057	-	-
	<u>\$ 21,910,720</u>	<u>\$ 5,345,527</u>	<u>\$ 14,335,000</u>	<u>\$ 5,741,072</u>

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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, 2018.

Year Ending December 31,		
2019	\$	351,462
2020		308,399
2021		234,912
2022		196,121
2023		75,176
Thereafter		842,873
Total Minimum Lease Payments		2,008,943
Amount Representing Interest		(305,292)
Present Value of Net Minimum Lease Payments	\$	1,703,651

The gross value of this equipment on the statement of net position is \$1,571,020 with accumulated depreciation of \$532,226.

NOTE 7 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

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.

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, 2018, 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	31
	46

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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 up to a maximum of \$100 per month, but not more than \$500 additional.

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 2018, the MMO obligation for the plan was \$805,895. Contributions of \$805,895 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, 2018;

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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.

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (6.65%). 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, 2018, were as follows:

Total Pension Liability	\$	19,062,003
Plan Fiduciary Net Position		15,368,759
Net Pension Liability	\$	3,693,244
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		81%

Actuarial Assumptions – The net pension liability was measured as of December 31, 2018 and the total pension liability was determined by an actuarial valuation as of January 1, 2017, 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		7.35%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

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:

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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 Investments	5.50% - 7.50%

Discount Rate – The discount rate used to measure the total pension liability was 7.35%. 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 to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	Governmental Activities		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2018	\$ 18,042,654	\$ 16,198,791	\$ 1,843,863
Changes for the Year:			
Service Cost	500,755	-	500,755
Interest Cost	1,306,526	-	1,306,526
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions			
Employer	-	805,895	(805,895)
Member	-	135,177	(135,177)
Net Investment Income	-	(975,247)	975,247
Benefit Payments, including refunds of member contributions	(787,932)	(787,932)	-
Administrative Expenses	-	(7,925)	7,925
Net Changes	1,019,349	(830,032)	1,849,381
Balance at December 31, 2018*	\$ 19,062,003	\$ 15,368,759	\$ 3,693,244

\*Includes DROP balances of \$444,102 at 12/31/2017 and \$301,196 at 12/31/18.



WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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

Changes in Assumptions

In the 2018 actuarial valuation, 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 7.35%, 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 (6.35%) or one percentage point higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net Pension Liability	<u>\$ 6,031,733</u>	<u>\$ 3,693,244</u>	<u>\$ 1,664,654</u>

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

For the year ended December 31, 2018, the Township recognized pension expense of \$208,956. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 235,841	\$ -
Change of Assumptions	516,635	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,224,291	-
	<u>\$ 1,976,767</u>	<u>\$ -</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
2019	\$ 530,408
2020	332,164
2021	330,455
2022	568,564
2023	134,330
Thereafter	80,846
	<u>\$ 1,976,767</u>

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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, 2018, one member has elected to participate in the DROP. The total DROP account balance is approximately \$301,196.

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

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.

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, 2018, 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	6
Active plan members	<u>28</u>
	<u>56</u>

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.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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

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 2018, the MMO obligation for the plan was \$282,266 for the year 2018. Contributions of \$282,266 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, 2018:

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

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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

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.

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.41%). 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, 2018, were as follows:

Total Pension Liability	\$	5,792,820
Plan Fiduciary Net Position		5,449,419
Net Pension Liability	\$	343,401
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		94%

Actuarial Assumptions - The net pension liability was determined by an actuarial valuation as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017, 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 7.35%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

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:

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

Long-Term Expected Rate of Return (continued)

<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 Investments	5.50% - 7.50%

Discount Rate – The discount rate used to measure the total pension liability was 7.35%. 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 to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	<u>Governmental Activities Increase (Decrease)</u>		
	<u>Total Pension Liability/(Asset) (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability/(Asset) (a)-(b)</u>
Balance at December 31, 2017	\$ 2,759,560	\$ 2,934,195	\$ (174,635)
Changes for the Year:			
Service Cost	74,841	-	74,841
Interest Cost	203,142	-	203,142
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions			
Employer	-	43,889	(43,889)
Member	-	12,006	(12,006)
Net Investment Income	-	(120,728)	120,728
Benefit Payments	(141,133)	(141,133)	-
Administrative Expenses	-	(3,520)	3,520
Net Changes	<u>136,850</u>	<u>(209,486)</u>	<u>346,336</u>
Balance at December 31, 2018	<u>\$ 2,896,410</u>	<u>\$ 2,724,709</u>	<u>\$ 171,701</u>

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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, 2017	\$ 2,759,560	\$ 2,934,195	\$ (174,635)
Changes for the Year:			
Service Cost	74,841	-	74,841
Interest Cost	203,142	-	203,142
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions			
Employer	-	43,890	(43,890)
Member	-	12,006	(12,006)
Net Investment Income	-	(120,728)	120,728
Benefit Payments	(141,133)	(141,133)	-
Administrative Expenses	-	(3,520)	3,520
Net Changes	<u>136,850</u>	<u>(209,485)</u>	<u>346,335</u>
Balance at December 31, 2018	<u>\$ 2,896,410</u>	<u>\$ 2,724,710</u>	<u>\$ 171,700</u>

Changes in Assumptions

In the 2017 actuarial valuation, 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 plan, calculated using the discount rate of 7.35%, 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 (6.35%) or one percentage point higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net Pension Liability (Asset)	<u>\$ 1,035,902</u>	<u>\$ 343,401</u>	<u>\$ (248,298)</u>

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

For the year ended December 31, 2018, the Township recognized pension expense of \$264,546. At December 31, 2018, 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, 2018

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

	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	\$ 1,029	\$ 38,472	\$ 1,029	\$ 38,472
Change of Assumptions	102,252	-	102,252	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>176,152</u>	<u>-</u>	<u>176,152</u>	<u>-</u>
	<u>\$ 279,432</u>	<u>\$ 38,472</u>	<u>\$ 279,432</u>	<u>\$ 38,472</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
2019	\$ 75,402	\$ 75,402
2020	32,790	32,790
2021	31,750	31,750
2022	76,839	76,839
2023	10,214	10,214
Thereafter	<u>13,965</u>	<u>13,965</u>
	<u>\$ 240,960</u>	<u>\$ 240,960</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, 2018, no contributions 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, 2018

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 net OPEB liability of the plan for measurement date December 31, 2018, was as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at January 1, 2017	\$ 3,548,364	\$ -	\$ 3,548,364
Service Cost	226,824	-	226,824
Interest on Total Pension Liability	137,531	-	137,531
Changes in Benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	143,279	-	143,279
Employer Contributions			
Net investment income	-	-	-
Benefit payments, including employee refunds	(125,829)	-	(125,829)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	<u>381,805</u>	<u>-</u>	<u>381,805</u>
Balance at January 1, 2018 (Measurement Date)	<u>\$ 3,930,169</u>	<u>-</u>	<u>3,930,169</u>

Employer Contributions

The Township's contractually required contribution rate for fiscal year ended December 31, 2018 was 3.86% 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. Contributions to the OPEB plan from the Township were \$125,829 for the year ended December 31, 2018.

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

At December 31, 2018, the Township reported a net OPEB liability of \$3,930,169. The net OPEB liability was measured as of January 1, 2017, and the total OPEB liability used to determine the net OPEB liability was determined by rolling forward the total OPEB liability as of January 1, 2017 to January 1, 2018.



WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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, 2018, the Township recognized OPEB expense of \$377,380. At December 31, 2018, 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	\$ -	\$ -
Change of Assumptions	130,254	-
Benefits Paid Subsequent to the Measurement Date	101,377	-
	\$ 231,631	\$ -

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:

2019	13,025
2020	13,025
2021	13,025
2022	13,025
2023	13,025
Thereafter	65,129
	130,254

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: 3.16% as of January 1, 2018 and 4.10% as of 12/31/2018. 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 – IRS Static Combined Table for Small Plans. Incorporated into the tables are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.
- Post-retirement Mortality – IRS Static Combined Table for Small Plans. Incorporated into the tables are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

WARRINGTON TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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.
- Medical Inflation – 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 Medical Cost Trend Model.

Change of Assumptions

The discount rate changed from 3.71% to 3.16%. 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 3.16%, 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 (2.16% percent) or 1-percent-point higher (4.16 percent) than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease <u>(2.16%)</u>	Current Discount Rate <u>(3.16%)</u>	1% Increase <u>(4.16%)</u>
Net OPEB Liability	\$ 4,276,448	\$ 3,930,169	\$ 3,611,397

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% Decrease <u></u>	Current Medical Inflation Rate <u></u>	1% Increase <u></u>
Net OPEB Liability	\$ 3,479,508	\$ 3,930,169	\$ 4,453,888

WARRINGTON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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 RESTATEMENT OF NET POSITION/CHANGE IN ACCOUNTING PRINCIPLE

Beginning government-wide governmental activities net position was restated for the following items:

- Decrease of \$1,575,144 based on implementation of GASB 75 and the actuarial valuation of the Total OPEB Liability at December 31, 2018.
- Decrease of \$427,110 to record the December 31, 2017 balance of the Street Light (LED Project) as a capital lease.
- Increase of \$189,097 to record construction in progress related to the LED Project that was not capitalized in 2017.

NOTE 15 SUBSEQUENT EVENTS

The Township has evaluated subsequent events for disclosure or recording through September 10, 2019, the date the audit was ready for release.

On July 30, 2019, the Township entered into a Water System Purchase Agreement with the North Wales Water Authority to sell the Township's assets, properties and rights related to the operation of its water system for a base purchase price of \$14,525,000, plus additional purchase prices for other assets, rights and arrangements. As part of this transaction, the Township is consulting with its bond counsel and financial advisor to place in an escrow account sufficient funds to pay off or defease a portion of the outstanding General Obligation Bonds, Series of 2014, proceeds of which financed water system capital projects.

**REQUIRED SUPPLEMENTARY INFORMATION**

WARRINGTON TOWNSHIP  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 2,771,683	\$ 2,771,683	\$ 2,822,927	\$ 51,244
Transfer	1,000,000	1,000,000	923,360	(76,640)
Earned Income	4,719,600	4,719,600	4,803,224	83,624
Other	506,300	506,300	492,932	(13,368)
Fees and Fines	255,000	255,000	290,413	35,413
Licenses and Permits	613,000	613,000	625,432	12,432
Intergovernmental	677,350	677,350	662,231	(15,119)
Charges for Services	1,536,025	1,536,025	1,739,231	203,206
Investment Income and Rent	405,000	405,000	428,744	23,744
Miscellaneous	478,500	478,500	494,992	16,492
Total Revenues	<u>12,962,458</u>	<u>12,962,458</u>	<u>13,283,486</u>	<u>321,028</u>
Expenditures				
Current				
General Government	1,741,536	1,741,536	1,801,149	(59,613)
Public Safety	8,429,477	8,429,477	8,308,122	121,355
Public Works	1,492,694	1,492,694	1,846,996	(354,302)
Sanitation	150,762	150,762	150,892	(130)
Culture and Recreation	934,376	934,376	710,592	223,784
Refund of Prior Year Revenue	2,000	2,000	806	1,194
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	63,681	63,681	63,681	-
Total Expenditures	<u>12,814,526</u>	<u>12,814,526</u>	<u>12,882,238</u>	<u>(67,712)</u>
Excess of Revenues Over Expenditures	<u>147,932</u>	<u>147,932</u>	<u>401,248</u>	<u>388,740</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	55,500	55,500
Proceeds from Capital Lease	-	-	225,642	225,642
Transfers In	153,000	153,000	153,000	-
Transfers Out	(300,000)	(300,000)	(712,500)	(412,500)
Total Other Financing Sources (Uses)	<u>(147,000)</u>	<u>(147,000)</u>	<u>(278,358)</u>	<u>(131,358)</u>
Net Change in Fund Balance	932	932	122,890	121,958
Fund Balance at Beginning of Year	<u>4,023,026</u>	<u>4,023,026</u>	<u>4,431,559</u>	<u>408,533</u>
Fund Balance at End of Year	<u>\$ 4,023,958</u>	<u>\$ 4,023,958</u>	<u>\$ 4,554,449</u>	<u>\$ 530,491</u>

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

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

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 FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 787,932	\$ 769,228	\$ 748,774	\$ 762,752	\$ 675,622
Contributions in Relation to Actuarially Determined Contribution	<u>787,932</u>	<u>769,228</u>	<u>748,774</u>	<u>762,752</u>	<u>675,622</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<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>22.91%</u>	<u>24.84%</u>	<u>25.04%</u>	<u>27.15%</u>	<u>25.68%</u>

Notes to Schedule

Valuation Date 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	Latest of Age 51, Age at the Completion of 25 Years of Service
Mortality	Assumed Life Expectancies are Based on the RP-2000 Healthy Annuitant Mortality Table

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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<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 FIVE FISCAL YEARS**

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

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 FIVE FISCAL YEARS**

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

Notes to Schedule

Valuation Date

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	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	Assumed Life Expectancies are Based on the RP-2000 Healthy Annuitant Mortality Table

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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>-4.41%</u>	<u>17.16%</u>	<u>8.11%</u>	<u>0.10%</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 OPEB PLAN LIABILITY  
 LAST 10 FISCAL YEARS\*  
 DECEMBER 31, 2018

	2018
Service Cost	\$ 226,824
Interest	137,531
Changes of Assumptions	143,279
Benefit Payments	(125,829)
Net Change in Total OPEB Liability	381,805
Total OPEB Liability, Beginning of Year	3,548,364
Total OPEB Liability, End of Year	\$ 3,930,169

*Notes to Schedule:*

Valuation Date: January 1, 2017 projected to measurement date of January 1, 2018.

Methods and Assumptions:

Participant Data	Based on census information as of January 1, 2017.
Interest Rate	3.16 % Based on S&P Municipal 20 Year High Grade Rate Index at 1/1/2018.
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	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.
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, 2018

		2018
Contractually required contribution	\$	125,829
Contributions in relation to the contractually required contribution		125,829
Contribution deficiency (excess)	\$	-
Township's covered payroll	\$	3,259,351
Contributions as a percentage of covered payroll		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, 2018

	Special Revenue Fund	Capital Project Funds		Total Other Governmental Funds
	Highway Aid Fund	2014 Capital Projects Fund	General Capital Fund	
<b>Assets</b>				
Cash and Cash Equivalents	695,745	382,067	74,812	\$ 1,152,624
Due from Other Funds	-	2,423	-	2,423
<b>Total Assets</b>	<b>\$ 695,745</b>	<b>\$ 384,490</b>	<b>\$ 74,812</b>	<b>\$ 1,155,047</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 65,693	\$ -	\$ 7,157	\$ 72,850
Due to Other Funds	88,210	-	-	88,210
<b>Total Liabilities</b>	<b>153,903</b>	<b>-</b>	<b>7,157</b>	<b>161,060</b>
<b>Fund Balances</b>				
<b>Restricted</b>				
Capital Improvements	-	-	67,655	67,655
<b>Assigned</b>				
Capital Projects	-	384,490	-	384,490
Highways and Streets	541,842	-	-	541,842
<b>Total Fund Balances</b>	<b>541,842</b>	<b>384,490</b>	<b>67,655</b>	<b>993,987</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 695,745</b>	<b>\$ 384,490</b>	<b>\$ 74,812</b>	<b>\$ 1,155,047</b>

WARRINGTON TOWNSHIP  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2018

	Special Revenue Fund	Capital Project Funds		Total Other Governmental Funds
	Highway Aid Fund	2014 Capital Projects Fund	General Capital Fund	
<b>Revenues</b>				
Intergovernmental	\$ 727,263	\$ -	\$ -	\$ 727,263
Investment Income and Rent	15,036	5,668	20,952	41,656
Total Revenues	<u>742,299</u>	<u>5,668</u>	<u>20,952</u>	<u>768,919</u>
<b>Expenditures</b>				
Current				
General Government	-	-	31,838	31,838
Highways and Roads	334,712	1,054	29,695	365,461
Culture and recreation	-	-	261,560	261,560
Debt Service				
Principal	205,000	-	-	205,000
Interest and Other Charges	46,109	-	-	46,109
Total Expenditures	<u>585,821</u>	<u>1,054</u>	<u>323,093</u>	<u>909,968</u>
Deficiency of Revenues Over Expenditures	<u>156,478</u>	<u>4,614</u>	<u>(302,141)</u>	<u>(141,049)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	300,000	300,000
Transfers Out	-	-	(200,000)	(200,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balances	156,478	4,614	(202,141)	(41,049)
Fund Balances at Beginning of Year	<u>385,364</u>	<u>379,876</u>	<u>269,796</u>	<u>1,035,036</u>
Fund Balances at End of Year	<u>\$ 541,842</u>	<u>\$ 384,490</u>	<u>\$ 67,655</u>	<u>\$ 993,987</u>

WARRINGTON TOWNSHIP  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2018

	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Employees Pension Fund	Total Pension Trust Funds
Assets			
Cash and Cash Equivalents	\$ 2,035,243	\$ 286,912	\$ 2,322,155
Investments	13,333,516	5,151,598	18,485,114
Due from Members	-	10,909	10,909
	<u>\$ 15,368,759</u>	<u>\$ 5,449,419</u>	<u>\$ 20,818,178</u>
Net Position			
Held in Trust for Benefits and Other Purposes	<u>\$ 15,368,759</u>	<u>\$ 5,449,419</u>	<u>\$ 20,818,178</u>
	<u>\$ 15,368,759</u>	<u>\$ 5,449,419</u>	<u>\$ 20,818,178</u>
Total Liabilities and Net Position	<u>\$ 15,368,759</u>	<u>\$ 5,449,419</u>	<u>\$ 20,818,178</u>

WARRINGTON TOWNSHIP  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED DECEMBER 31, 2018

	Pension Trust Funds		
	Police Pension Fund	Non-Uniform Employees Pension Fund	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 449,731	\$ 87,779	\$ 537,510
Plan Members	135,177	24,011	159,188
State	463,754	-	463,754
Total Contributions	<u>1,048,662</u>	<u>111,790</u>	<u>1,160,452</u>
Investment Earnings			
Net Decrease in Fair Value of Investments	(1,465,094)	(426,172)	(1,891,266)
Dividends	581,519	202,070	783,589
Investment Activity Expense	(36,174)	(7,517)	(43,691)
Investment Earnings (Losses), Net	<u>(919,749)</u>	<u>(231,619)</u>	<u>(1,151,368)</u>
Total Additions	<u>128,913</u>	<u>(119,829)</u>	<u>9,084</u>
Deductions			
Benefits Paid	895,588	282,266	1,177,854
Administrative	63,357	16,876	80,233
Total Deductions	<u>958,945</u>	<u>299,142</u>	<u>1,258,087</u>
Change in Net Position	(830,032)	(418,971)	(1,249,003)
Net Position, Beginning of Year	<u>16,198,791</u>	<u>5,868,390</u>	<u>22,067,181</u>
Net Position, End of Year	<u>\$ 15,368,759</u>	<u>\$ 5,449,419</u>	<u>\$ 20,818,178</u>





# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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, 2018, 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 10, 2019.

#### 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*.



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
September 10, 2019



# *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 programs for the year ended December 31, 2018. Warrington Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with 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 National Guard Military Construction Projects CFDA 4112.400

As described in the accompanying schedule of findings and questioned costs, Warrington Township did not comply with requirements regarding CFDA 12.400 National Guard Military Construction Projects as described in finding numbers 2018-001 for Reporting, 2018-002 for Standards for Program Management and 2018-003 Standards for Program Financial Management System. Compliance with such requirements is necessary, in our opinion, for Warrington Township to comply with the requirements applicable to that program.

#### Qualified Opinion on National Guard Military Construction Projects 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 National Guard Military Construction Projects for the year ended December 31, 2018.



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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 each 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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 2018-001, 2018-002 and 2018-003 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 plans. 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*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
September 10, 2019

WARRINGTON TOWNSHIP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for the Year	Accrued or (Deferred) Revenue at January 1, 2018	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at December 31, 2018	Total Amount Passed Through to Subrecipients
U.S. Department of Defense Passed through the United States America National Guard Bureau Military Construction, National Guard	I	12.400	W912KC-15-2-3079	10/1/2015 - 9/30/20	n/a	\$ 2,124,725	\$ 907,059	\$ 1,217,666	\$ 1,017,317	\$ 200,349	\$ -
Total Federal Awards					n/a	\$ 2,124,725	\$ 907,059	\$ 1,217,666	\$ 1,017,317	\$ 200,349	\$ -

Source Codes  
I - Indirect Funding  
D - Direct Funding

WARRINGTON TOWNSHIP  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2018

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, 2018

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report Issued: Unmodified

Internal control over financial reporting:

Significant deficiencies identified: No

Significant deficiencies identified that are considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Significant deficiencies identified: Yes

Significant deficiencies identified that are considered to be material weaknesses: Yes

Type of auditors' 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) of the Circular: Yes

Identification of major programs:

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

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

Auditee qualified as a low-risk auditee: No

WARRINGTON TOWNSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2018-001 Reporting (Prior Year Finding No. 2017-001)

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 their reporting requirements.

Cause: The Township did not properly complete and file the quarterly performance reports for 2018 in accordance with the grant 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.

2018-002 Standards for Program Management (Prior Year Finding No. 2017-002)

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 grant.

Criteria: An entity must establish and maintain effective internal control over the federal award, and 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, 2018

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 policy 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, 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 grant expenditures.

2018-003 Standards for Program Financial Management System (Prior Year Finding No. 2017-003)

Federal Agency: Department of Defense

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

Condition: The Township does not have policies and procedures in place to accurately and completely account for federally funded activities separately from non-federally funded activities in their financial management system.

Criteria: Section 2 CFR 200.302 of the Uniform Guidance states that the financial management system must provide for identification, in its accounts, of all Federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable, the CFDA title and number, federal award identification and year, name of the Federal agency, and the name of the pass-through entity, if any.

Effect. Inaccurate accounting of grant expenditures in the Township's financial management system may occur.

Cause: The Township did not consistently segregate and identify federal grant expenditures separately from their non-federal expenditures.

Recommendation: We recommend the Township implement procedures to ensure consistent and accurate accounting for federal grant expenditures in accordance with 2 CFR 200.302 of the Uniform Guidance.

Management's Response:

Management will move expenses related to the program to their own cost center.

WARRINGTON TOWNSHIP  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2017-001 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 grant agreement.

Current Status: Finding repeated, see finding 2018-001.

2017-002 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 grant.

Current Status: Finding repeated, see finding 2018-002.

2017-003 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: Finding repeated, see finding 2018-003.