

LOWER POTTS GROVE TOWNSHIP

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2020

Barbara Atkins
certified public accountant
relationships. service. integrity

LOWER POTTS GROVE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Lower Pottsgrove Township, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Pottsgrove Township, Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the primary government of Lower Pottsgrove Township, Pennsylvania, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note #1, the financial statements referred to above include only the primary government of Lower Pottsgrove Township, Pennsylvania, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. These primary government financial statements do not include financial data for the Township's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of Lower Pottsgrove Township, Pennsylvania, as of December 31, 2020, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with this respect.

The financial statement of the Lower Pottsgrove Township Authority, Pennsylvania, as of and for the year ended December 31, 2020, is audited in accordance with auditing standards generally accepted in the United States of America, and a report that expresses an opinion on those financial statements is issued.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 5-10 and 31-32 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.

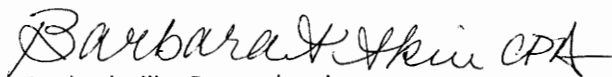
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Pottsgrove Township, Pennsylvania's basic financial statements. The pension plans schedules of funding progress and employer contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The pension plans schedules of funding progress and employer contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021 on our consideration of Lower Pottsgrove Township, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Lower Pottsgrove Township, Pennsylvania'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 Lower Pottsgrove Township, Pennsylvania's internal control over financial reporting and compliance.



Bechtelsville, Pennsylvania

March 15, 2021

**LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2020**

Our discussion and analysis of Lower Pottsgrove Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS FOR 2020

- *Government Wide Financial Statements* – The Total Net Position (Assets less Liabilities) of the Township's Primary Government was \$10,919,139.
- *Fund Financial Statements* – The Assets of the Township exceeded its Liabilities by \$4,634,306 (Fund Balance).
- The Township's Real Estate millage remained at 2.708 mills.
- The Fire Protection Tax millage remained at .66 mills.
- The Capital Reserve Tax increased to .5 mills.
- The Township's share of the Earned Income Tax remained at .5%.
- The Township also guarantees \$6,381,000 debt for its component unit, Lower Pottsgrove Township Authority. [In 2016, Standard and Poor's reaffirmed their AA stable rating for Lower Pottsgrove Township Authority General Obligation Debt, supported by Lower Pottsgrove Township.]

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government Wide Financial Statements

The government wide financial statements report on the Township as a whole and begins with the statement of net position. One of the most important questions asked about the Township finances is, "Is the Township as a whole better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer that question. All the current year's revenues and expenses are taken into account, regardless of when cash is received or disbursed.

The government wide financial statements include most of the Township's basic services including police, public works and highway maintenance, snow removal, trash collection, code enforcement, fire support, parks and recreation, street lights, and administration of general government. Earned income tax, property taxes, building permit fees, and charges for service finance most of these activities.

They also include the component unit of Lower Pottsgrove Township Authority. Although legally separate, this component unit is important because the Township is financially accountable for them. Separately audited annual financial reports of this component unit can be obtained from the Township office.

Net Position Financial Analysis

At the end of the current financial year, Lower Pottsgrove was able to report positive net position for government activities. The total net position, less liabilities of the Township's Primary Government was \$10,919,139. This was an increase of \$770,581 from the end of 2019.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2020
(Continued)

Condensed Statement of Net Position

	2020	2019
Current Assets	\$ 5,815,944	\$ 4,818,148
Capital Assets	8,292,562	8,594,715
Total Assets	14,108,506	13,412,863
Deferred Outflows of Resource - Pensions	517,933	924,897
Total Assets & Deferred Outflows of Resources	\$14,626,439	\$14,337,760
Current Liabilities	\$ 1,155,007	\$ 401,733
Noncurrent Liabilities	2,527,927	3,353,495
Total Liabilities	3,682,934	3,755,228
Deferred Inflows of Resource - Pensions	24,366	433,974
Invested In Capital Assets	8,250,568	8,477,668
Restricted	244,965	136,337
Unrestricted	2,423,606	1,534,553
Total Net Position	10,919,139	10,148,558
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$14,626,439	\$14,337,760

Government-wide Financial Analysis

General revenues for primary government governmental activities of Lower Pottsgrove totaled \$5,118,268 in 2020 while expenses for all governmental activities totaled \$7,168,371. The government-wide financial statements can be found on pages 11 and 12 of this report. Information regarding capital assets can be found on page 24. Pages 14 and 16 of this financial report provide additional information on the reconciliation of the fund balances for governmental funds.

Fund Financial Statement Analysis

The fund financial statements provide detailed information about each fund, not the Township as a whole. Each year, the five members of the Board of Commissioners adopt an annual budget for each fund. The Board took a conservative approach when projecting revenues for 2020. Budgetary comparison statements have been provided for the General Fund and the Special Revenue Funds.

GENERAL FUND

The General Fund is the chief operating fund of Lower Pottsgrove Township. In 2020, the fund balance of the General Fund increased by \$200,142 from 2019. The General Fund provides many services for our residents including police and public safety, public works and highway maintenance, snow removal, trash collection, park and recreation, code enforcement, and general government. General Fund revenues decreased by (1.9%) or (\$129,012) and General Fund expenses increased by 5.5% or \$335,220 from 2019.

Tax Revenues

Lower Pottsgrove Township has enacted an Earned Income tax of .5%. The Earned Income tax applies to wages and income earned by individuals living in Lower Pottsgrove Township. The Earned Income tax has remained the Township's largest source of revenue with a total of \$1,871,115 received in 2020 and \$1,844,361 received in 2019. Earned Income tax revenue has remained relatively strong during the pandemic. Earned Income Tax is collected by Berkheimer Associates under Act 32.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*)
Year Ended December 31, 2020
(Continued)

GENERAL FUND (Continued)

Tax Revenues

Lower Pottsgrove Township's second largest source of revenue is from real estate tax of 2.708 mills levied on the assessed value of each property in the Township and is collected by Jennifer Marsteller, the elected tax collector and Township Treasurer. Real estate taxes brought in \$1,605,908 in 2020 versus \$1,618,141 in 2019. The assessed value of the township was \$619,074,179. The discount period was extended to April 30th and the penalty was not charged until December 31, 2020 due to COVID. In past years, the 10% penalty was collected after May 31st. Portnoff Law Associates is appointed as the delinquent tax collector for real estate, fire protection and capital reserve taxes.

Lower Pottsgrove Township receives ½ of one percent Real Estate Transfer Tax each time a property is sold in the township. In 2020, the Township received \$388,449 compared to \$535,328 in 2019 and \$283,740 in 2018. This source of revenue is always difficult to predict, but Real Estate Transfers remained strong during the pandemic.

Other Revenues

The General Fund received \$18,469 in interest earnings for 2020 compared to \$57,629 in 2019.

In 2020, the Township received \$287,601 in revenue from building permits compared to \$249,595 in 2019.

Trash collection costs and fees: 2020 was the fourth year of a five-year contract with J P Mascaro for trash and single stream curbside recycling collection. Residents included in the trash contract were billed \$147.50 annually. The total collected in 2020 was \$463,433 compared to \$441,682 in 2019. The majority of the payments are received and deposited into a lockbox at M & T Bank. Portnoff Law Associates is appointed as the delinquent trash collection firm.

Lower Pottsgrove has earned Rate Stabilization fund credits for our health insurance with Delaware Valley Health Trust and for workers compensation insurance from Delaware Valley Workers Compensation Trust. During 2020, \$46,176 was utilized from health insurance and \$9,000 from workers compensation insurance for a total of \$55,176. During 2019, \$46,176 was utilized from health insurance and \$28,074 from workers compensation insurance for a total of \$74,250.

Workers Compensation Insurance Reimbursements were received for \$59,440 in 2020 and \$49,949 in 2019. Heart and Lung Insurance Reimbursements were received in the amount of \$102,546 in 2020 and \$32,718 in 2019.

Act 209 Traffic Impact Fees were received in the amount of \$56,120 in 2020 and \$57,340 in 2019. This revenue will be used for intersection improvements as outlined in the Act 209 Capital Improvement Plan which has been adopted by the Board of Commissioners. In addition, \$69,540 was received for Traffic Impact Fee In Lieu from Sanatoga Green Phase I.

A Montco 2040 Grant for \$80,000 was received and used for parking lot improvements at Gerald Richards Park.

Some revenue items were lower than prior years due to the COVID-19 Pandemic such as Local Services Tax and D J Fines. After the Pottsgrove School District closed in March 2020, the School Resource Officer was not present at the school for the remainder of the year, and revenue was not received for that time period.

Expenses

For General Government, total expenses for 2020 were \$366,043 in 2020 and \$366,969 in 2019.

For the Police Department, salary and benefit costs increased due to contract obligations. 2020 was the fourth year of a four-year contract. The last year of five installments was paid for the purchase of radios through Montgomery County. 2020 Police department expenses were up \$131,059 or 4% over 2019.

For Planning and Codes, the Township has a full-time codes officer and utilized a third-party inspector for some inspections and property maintenance. This was the last year that payments were made on a five-year loan for a 2017 Ford Explorer.

**LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2020
(Continued)**

GENERAL FUND (Continued)

Expenses (Continued)

Delta Development Group was hired to assist Lower Pottsgrove and Limerick Townships to leverage grant funding from the Pennsylvania Department of Transportation for the construction of a new eastbound ramp at the Route 422 Sanatoga Interchange. Both townships received a Commonwealth Finance Authority (CFA) Grant in early 2016 for approximately \$2.2 million dollars to construct a new westbound ramp at the Route 422 Sanatoga Interchange. The project of \$1,424,912 was awarded in December 2020. \$92,591 was paid to Limerick Township in 2020 for the Township's 35% match.

In 2017, Lower Pottsgrove Township converted all the PECO lights to LED and took over ownership and maintenance of them. In 2020, the Street Light Fund reimbursed the General Fund \$8,974 as the final payment towards these costs. This is expected to result in long term savings for the Street Light Fund.

The Township continues to support the Pottstown Regional Public Library, Pottstown Area Seniors Center and Lower Pottsgrove Historical Society.

The Township continues to fund the Uniform and Non-Uniform Pension plans along with State Pension Aid that is received from the State of Pennsylvania. The Township portion of the contribution to the pension plans was \$258,550 for 2020 and \$146,030 for 2019.

SPECIAL REVENUE FUNDS

Special Revenue Funds of the Township include the Street Light, Park & Recreation and Liquid Fuels Funds. The assets of these funds are in separate bank accounts and can only be used for the purpose designated for each fund. The Township cannot use these assets for general operating expenses. They are only to be used to support the original purpose of the fund.

The **Street Light Fund** levies a street light assessment of .37 per foot of frontage within 300 feet of a street light. The Street Light Fund paid the General Fund \$8,974 towards the cost of LED installation.

The **Park & Recreation Fund** provides special events for the community including an egg hunt, fishing rodeo, summer concert series, and fall community day. These events are funded by contributions of \$2,550 from local businesses in the community. Due to the pandemic, no events were held in 2020 and the funds contributed by local businesses will be used to fund events in 2021. A \$100,000 contribution was received from Sanatoga Green Phase I. A Montco 2040 Grant was received and used for parking lot improvements at Gerald Richards Park.

The **Liquid Fuels Fund** is funded entirely by the Commonwealth of PA for the purpose of highway related expenses. The type of allowable expenses is followed using PennDOT guidelines. The revenue from the Commonwealth of PA for 2020 was \$351,845 compared to \$361,804 for 2019. The Liquid Fuels Fund overlaid roads in the amounts of \$109,973 in 2020 and \$192,395 in 2019. \$71,295 was spent for Oil and Chip in 2020 which will extend the life of the roads. Snow removal cost \$21,262 for 2020 and \$27,935 for 2019. In 2018, a 2018 Ford F550 truck was purchased utilizing a 5-year loan. The 2020 payments for this loan were \$16,536. This fund also pays for Road signs and markings, traffic signal electric and maintenance and general highway maintenance.

CAPITAL RESERVE FUND

\$296,751 was collected for Capital Reserve Tax in 2020 and \$149,185 was collected in 2019. \$280,154 was spent for the Architect and \$114,427 was spent for Engineering for the design of the new proposed municipal campus.

**LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2020
(Continued)**

FIDUCIARY FUNDS

The Township is the trustee for its employees' pension plans. It is also responsible for reporting other assets that can only be used for Township employees. The Township cannot use these assets to finance its operations. Full-time Uniform (Police) Pension plan employees contribute 5% of their pay towards the pension plan. Full-time Non-Uniform Pension plan employees contribute 2% of their pay towards the pension plan. The Uniform (Police) Pension Plan investments gained 14.7% in 2020. The Non-Uniform Pension Plan investments gained 15.9% in 2020. Additional information on the pension plans is provided in the financial statements.

Additional Pension Information

State Pension Aid did not cover 100% of the pension responsibility for the Township. For 2020, the shortfall for the pension plans that was paid by the General Fund was \$258,551, the difference between the MMO \$519,514 and State Pension Aid \$260,963. For 2019, the shortfall was \$146,030.

The 1/1/19 Act 205 valuation report was prepared by the Pension Plan Actuary.

The 12/31/19 GASB 67 study for the Non-Uniform Pension Plan reflects the Non-Uniform Pension Plan Unfunded Liability of \$248,306 or 94.18% funded.

The 12/31/20 GASB 67 study for the Police Pension Plan reflects the Police Pension Plan Unfunded Liability of \$852,691 or 89.2% funded.

The current GASB 75 study reflects the Police OPEB (Retiree Healthcare) Estimated Accrued Liability as of 12/31/20 was \$1,223,888.

Budgetary Process

The Township adopts an annual budget for each of the above funds. Budgetary comparison statements have been provided for the General and Special Revenue Funds as part of the Required Supplementary Information (RSI) to the financial statements to demonstrate compliance with the budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

GENERAL FUND

In December of 2020, the five members of the Board of Commissioners adopted an annual budget for each fund. The Board took a very conservative approach when projecting revenues for 2021 due to COVID-19 uncertainty with a General Fund budget of \$6,732,594 compared with the 2020 General Fund budget of \$6,448,023. The real estate tax remained the same at 2.708 mils and fire tax remained the same at .66 mils.

It remains to be seen how the effects of the COVID-19 pandemic will continue to affect the Township. 2020 had a net income gain of \$200,142 and this has put the Township in a better situation to weather the unknown.

The Infrastructure committee is continuing to explore options for a possible future municipal campus. The Board of Commissioners hired the architecture firm Alloy 5 of Bethlehem to develop drawings for the proposed building. The committee is currently working with outside agencies like PennDOT, Montgomery County Conservation District, Borough of Pottstown Water and PECO to incorporate this in the overall construction drawings. The bid deadline for the new municipal complex is expected to be mid-April 2021.

On January 5, 2021, Lower Pottsgrove Township received a Aa3 bond rating from Moody's. On February 16, 2021, Lower Pottsgrove Township completed settlement on the \$8,475,000 General Obligations Bonds, Series of 2021 issue with the proceeds to be used for the costs of the design and construction of a new Township municipal building, the purchase of equipment for the public works and police department, repair of bridges, and the payment of the cost of issuing the bonds.

**LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2020
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

GENERAL FUND (Continued)

The Township will continue trash and single stream curbside recycling collection with J P Mascaro for the first year of the contract. The trash collection fee will increase \$12.50 per year to \$160 per year billed annually in May of 2021.

The police department has a total of (18) sworn police personnel. As of this date, a new contract has not been enacted and the terms of the 2020 contract are being followed. When the contract is settled, any adjustments for 2021 will be made at that time. The police department plans to hire an additional patrolman in 2021.

The Township will continue to use the Rate Stabilization fund credits for our health insurance with Delaware Valley Health Trust and for workers compensation insurance from Delaware Valley Workers Compensation Trust. For 2021, \$46,376 will be utilized from the Health Insurance Trust and \$8,624 will be used for the Workers Comp Trust for a total of \$55,000.

Delta Development Group was hired to assist Lower Pottsgrove and Limerick Townships to leverage grant funding from the Pennsylvania Department of Transportation for the construction of a new eastbound ramp at the Route 422 Sanatoga Interchange. Both townships received a Commonwealth Finance Authority (CFA) grant in early 2016 for approximately \$2.2 million dollars to construct a new westbound ramp at the Route 422 Sanatoga Interchange. Construction will tentatively begin in the Spring of 2021 and last approximately 3-4 months with a substantial completion date of mid October 2021.

A Grant of \$196,800 will be received from Montgomery County for the Pruss Hill Bridge project. This grant has a 20% Township match.

STREET LIGHT FUND

The street light Fund will be discontinued in 2021 and no tax will be collected. Street light expenses will be paid from the General Fund once the balance of the Street Light fund is expended.

LIQUID FUELS FUND

The Liquid Fuels fund plans to overlay \$180,000 in roads and expend \$118,000 to oil and chip the roads in 2021. Loan payments of \$16,536 will be made on the purchase of the 2018 F550 dump truck.

CAPITAL RESERVE FUND

The Capital Reserve tax is expected to bring in \$300,000 revenue in 2021. This tax will fund future township infrastructure and will be used for future debt service.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lower Pottsgrove Township Finance Director at 2199 Buchert Road, Pottstown, PA 19464 or telephone at 610-323-0436.

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF NET POSITION
December 31, 2020

	<u>Primary Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash & Cash Equivalents	\$ 5,181,316
Taxes Receivable	312,760
Other Receivables	311,868
Notes Receivable	10,000
Total Current Assets	<u>5,815,944</u>
Capital Assets	
Non-Depreciable (Land)	3,864,312
Depreciable, Net of Accumulated Depreciation	4,428,250
Total Capital Assets	<u>8,292,562</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>517,933</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 14,626,439</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable & Accrued Expenses	\$ 452,328
Escrows (Land Improvements, Etc.)	687,316
Notes Payable	15,363
Total Current Liabilities	<u>1,155,007</u>
Noncurrent Liabilities	
Notes Payable	26,631
Liability for Compensated Absences	64,212
Net Other Post-Employment Benefits Obligation (OPEBP)	1,416,077
Net Pension Liabilities	1,021,007
Total Noncurrent Liabilities	<u>2,527,927</u>
Total Liabilities	<u>3,682,934</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>24,366</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	8,250,568
Restricted	244,965
Unrestricted	2,423,606
Total Net Position	<u>10,919,139</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u><u>\$ 14,626,439</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements.

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 834,177	\$ 130,390	\$ 406,031	\$ 0	\$ (297,756)
Public Safety	4,067,901	609,801	11,295	0	(3,446,805)
Sanitation	738,878	469,229	0	0	(269,649)
Highways & Streets	615,443	244,702	352,517	0	(18,224)
Culture & Recreation	280,495	0	2,550	80,000	(197,945)
Employer Paid Benefits - Pension	519,514	0	0	0	(519,514)
Insurance	82,107	0	0	0	(82,107)
All Other Expenditures	26,856	0	0	0	(26,856)
Total Governmental Activities	7,165,371	1,454,122	772,393	80,000	(4,858,856)
General Revenues					
					2,325,702
					1,871,115
					593,290
					23,566
					69,352
					235,243
				Total General Revenues	5,118,268
Net Adjustments for:					
					(302,153)
					813,322
				Change in Net Position	770,581
				Net Position - Beginning of Year	10,148,558
				Net Position - End of Year	\$ 10,919,139

The Accompanying Notes are an Integral Part of these Financial Statements.

LOWER POTTS GROVE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2020

	<u>SPECIAL REVENUE</u>				Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
	General Fund	Liquid Fuels	Park & Recreation	Street Light			
ASSETS							
Cash & Cash Equivalents	\$ 4,557,087	\$ 292,377	\$ 103,030	\$ 9,945	\$ 405,352	\$ 218,877	\$ 5,181,316
Taxes Receivable	311,711	0	0	0	0	1,049	312,760
Other Receivables	311,640	228	0	0	228	0	311,868
Notes Receivable	10,000	0	0	0	0	0	10,000
TOTAL ASSETS	<u>\$ 5,190,438</u>	<u>\$ 292,605</u>	<u>\$ 103,030</u>	<u>\$ 9,945</u>	<u>\$ 405,580</u>	<u>\$ 219,926</u>	<u>\$ 5,815,944</u>
LIABILITIES							
Accounts Payable	\$ 73,868	\$ 5,646	\$ 0	\$ 927	\$ 6,573	\$ 85,628	\$ 166,069
Accrued Payroll & Payroll Taxes	286,259	0	0	0	0	0	286,259
Escrows (Land Improvements, Etc.)	687,316	0	0	0	0	0	687,316
Notes Payable	0	41,994	0	0	41,994	0	41,994
TOTAL LIABILITIES	<u>1,047,443</u>	<u>47,640</u>	<u>0</u>	<u>927</u>	<u>48,567</u>	<u>85,628</u>	<u>1,181,638</u>
FUND BALANCES							
Restricted for Street Maintenance	0	244,965	0	0	244,965	0	244,965
Assigned for Park & Recreation	0	0	103,030	0	103,030	0	103,030
Assigned for Street Lighting	0	0	0	9,018	9,018	0	9,018
Unassigned Fund Balance:							
Designated for Infrastructure	361,347	0	0	0	0	134,298	495,645
Designated for Capital Construction	103,308	0	0	0	0	0	103,308
Designated for Park & Recreation	90,241	0	0	0	0	0	90,241
Designated for Emergencies	1,400,000	0	0	0	0	0	1,400,000
Undesignated	2,188,099	0	0	0	0	0	2,188,099
TOTAL FUND BALANCES	<u>4,142,995</u>	<u>244,965</u>	<u>103,030</u>	<u>9,018</u>	<u>357,013</u>	<u>134,298</u>	<u>4,634,306</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,190,438</u>	<u>\$ 292,605</u>	<u>\$ 103,030</u>	<u>\$ 9,945</u>	<u>\$ 405,580</u>	<u>\$ 219,926</u>	<u>\$ 5,815,944</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

LOWER POTTS GROVE TOWNSHIP
RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2020

Total Fund Balances - Governmental Funds	\$ 4,634,306
Amounts reported for Governmental Activities in the Statement of Net Position are different:	
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,975,560.	8,292,562
Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Liability for Compensated Absences	(64,212)
Net Other Post-Employment Benefits Obligation	(1,416,077)
Net Pension Liability, Net of Related Deferred Outflows & Inflows	<u>(527,440)</u>
Net Position of Governmental Activities	<u><u>\$ 10,919,139</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements.

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2020

	SPECIAL REVENUE				Total	Capital	Total
	General Fund	Liquid Fuels	Park & Recreation	Street Light	Special Revenue Funds	Reserve Fund	Governmental Funds
REVENUES							
Real Estate Taxes	\$ 2,027,258	\$ 0	\$ 0	\$ 0	\$ 0	\$ 298,444	\$ 2,325,702
Earned Income Taxes	1,871,115	0	0	0	0	0	1,871,115
Other Taxes	593,290	0	0	0	0	0	593,290
License & Permits	241,265	0	0	0	0	0	241,265
Fines	27,966	0	0	0	0	0	27,966
Interest & Rents	18,469	1,489	1,884	76	3,449	1,648	23,566
Intergovernmental Revenues	451,808	352,517	40,578	0	393,095	0	844,903
Charges For Service	940,189	0	0	0	0	0	940,189
Special Assessments	125,660	0	100,000	19,042	119,042	0	244,702
Contributions & Donations	4,940	0	2,550	0	2,550	0	7,490
All Other Revenues	304,504	0	0	91	91	0	304,595
TOTAL REVENUES	6,606,464	354,006	145,012	19,209	518,227	300,092	7,424,783
EXPENDITURES							
General Government	434,297	0	0	0	0	399,880	834,177
Police	3,352,846	0	0	0	0	0	3,352,846
Fire	469,983	0	0	0	0	0	469,983
Code Enforcement, Planning, Zoning	245,072	0	0	0	0	0	245,072
Public Works - Sanitation	738,878	0	0	0	0	0	738,878
Public Works - Highway & Street	360,628	243,732	0	11,083	254,815	0	615,443
Culture & Recreation	178,447	0	102,048	0	102,048	0	280,495
Employer Paid Benefits - Pension	519,514	0	0	0	0	0	519,514
Insurance	82,107	0	0	0	0	0	82,107
All Other Expenditures	24,551	1,646	0	0	1,646	659	26,856
TOTAL EXPENDITURES	6,406,323	245,378	102,048	11,083	358,509	400,539	7,165,371
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	200,141	108,628	42,964	8,126	159,718	(100,447)	259,412
FUND BALANCES - BEGINNING OF YEAR	3,942,855	136,337	60,066	891	197,294	234,745	4,374,894
FUND BALANCES - END OF YEAR	\$ 4,142,996	\$ 244,965	\$ 103,030	\$ 9,017	\$ 357,012	\$ 134,298	\$ 4,634,306

The Accompanying Notes are an Integral Part of the Financial Statements.

LOWER POTTS GROVE TOWNSHIP
RECONCILIATION OF THE CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2020

Net Change In Fund Balances - Total Governmental Funds	\$ 259,412
Amounts reported for Governmental Activities in the Statement of Activities are different:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital Asset Costs Capitalized	269,618
Depreciation Expense	(529,521)
Capital Assets Sold/Junked	(115,376)
Accumulated Depreciation for Capital Assets Sold/Junked	<u>73,126</u>
	<u>(302,153)</u>
The following changes in long-term liabilities affect expenses in the Statement of Activities, but are not reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	
Liability for Compensated Absences	(14,389)
Net Other Post-Employment Benefits Other	(167,642)
Net Pension Liability, Net of Related Deferred Outflows and Inflows	<u>995,353</u>
	<u>813,322</u>
Change in Net Position of Governmental Activities	<u><u>\$ 770,581</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements.

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 796,618	\$ 480,904	\$ 1,277,522
Investments	<u>6,249,464</u>	<u>3,538,138</u>	<u>9,787,602</u>
TOTAL ASSETS	<u>7,046,082</u>	<u>4,019,042</u>	<u>11,065,124</u>
 LIABILITIES			
None	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
 NET POSITION			
Net Position Held In Trust For Pension Benefits	<u>7,046,082</u>	<u>4,019,042</u>	<u>11,065,124</u>
TOTAL NET POSITION	<u><u>\$ 7,046,082</u></u>	<u><u>\$ 4,019,042</u></u>	<u><u>\$ 11,065,124</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements.

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2020

	Police Pension Fund	Non-Uniformed Pension Funds	Total Pension Trust Funds
ADDITIONS			
Contributions			
Township & Commonwealth of PA	\$ 339,808	\$ 179,706	\$ 519,514
Employees'	97,692	16,597	114,289
Net Investment Income	822,455	467,731	1,290,186
TOTAL ADDITIONS	1,259,955	664,034	1,923,989
 DEDUCTIONS			
Benefit Payments	338,731	158,345	497,076
Administrative Expenses	4,968	6,872	11,840
TOTAL DEDUCTIONS	343,699	165,217	508,916
 CHANGE IN NET POSITION	916,256	498,817	1,415,073
 TOTAL NET POSITION - BEGINNING	6,129,826	3,520,225	9,650,051
TOTAL NET POSITION - ENDING	\$ 7,046,082	\$ 4,019,042	\$ 11,065,124

The Accompanying Notes are an Integral Part of the Financial Statements.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020

Note #1 - Organization and Nature of Activities

Lower Pottsgrove Township, Montgomery County, Pennsylvania, is a 1st Class Township, formed in 1807. The Township is governed by five (5) elected Commissioners who serve a 4-year term. The Commissioners have the power to establish policies to be carried out by the Township. The Board of Commissioners manages the Township with the assistance of a Township Manager who is appointed. The Township's major sources of revenue include real estate and local enabling taxes.

Reporting Entity

These financial statements include the departments and other organizational units over which the Board of Commissioners exercise oversight responsibility, including general government, police protection, recreation and public works.

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

- The Tax Collector is an elected officer who collects taxes on behalf of the Township, Montgomery County, and the Pottsgrove School District. The Township regards the Tax Collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.
- Ringing Hill and Sanatoga Fire Companies receive contributions and real estate taxes collected for the fire services from the Township. However, most revenues generated are through private fundraisers under the direction of a separate independent board not appointed by the Commissioners. The Fire Companies are organized under separate charters and, therefore, are not included in the financial statements.
- Lower Pottsgrove Township Authority is a separate legal entity that acts independently of the Township. The Township Commissioners appoint the members of the Authority's Board and the Township has the ability to impose its will on the Authority. The Authority is considered a component unit of the Township. These primary government financial statements do not include financial data for the Township's legally separate component unit, Lower Pottsgrove Township Authority. Financial statements of the Authority may be obtained by contacting the Authority's administrative office located at 2199 Buchert Road, Pottstown.

Note #2 - Significant Accounting Policies

Basis of Accounting

The Township prepared these financial statements using the accrual basis of accounting. Revenues are recognized when they are both measurable and available. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when the liability is incurred. Debt service expenditures and expenditures related to compensated absences, claims, and judgements are recorded only when payment is due.

Fund Financial Statements

The underlying accounting system of the Township is organized and operated on the basis of separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses.

General Fund

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

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #2 - Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Special Revenue Funds

These funds are established to account for the cash receipts of specific sources other than expendable trust or major capital projects that are legally restricted to disbursements for specific purposes. The assets of these funds are in separate bank accounts and can only be used for the purpose designated for that fund. The Township cannot use these assets for general operating expenses; they are only to be used to support the original purpose of the fund. The Township's special revenue funds include the following:

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

Park and Recreation Fund – This fund accounts for special events for the community of the Township. These events are funded by contributions from local businesses in the community.

Street Light Fund – This fund is used to account for the street light assessment of .37 per foot of frontage within 300 feet of a street light.

Capital Reserve Fund

This fund is established to fund future township infrastructure and future debt service as projects progress. A capital reserve tax at .5 mills is included as revenue in this fund.

Fiduciary Funds

These funds account for assets held in a trustee capacity, or as an agent for others and cannot be used to support the Township's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Police & Non-Uniformed Pension Funds - The Township is the trustee for its employees' pension plans. The Township cannot use these assets to finance operations.

Budget Policy

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

Cash & Cash Equivalents

The Township considers all checking and money market accounts as cash.

Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amounts, which reasonably estimates fair value.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #2 - Significant Accounting Policies (Continued)

Investments (Continued)

The Township has a Police & Non-Uniform Pension Fund Statement of Investment Policy to define investment policy regarding the investment management of Police & Non-Uniform Pension Fund Assets. The policy limits the Township's allowable deposits or investments and address the specific types of risks to which the Township is exposed.

Accounts Receivable

Accounts receivable are reported at the amount of principal outstanding. Management closely monitors outstanding balances. Outstanding balances are liened only after management has exhausted reasonable collection efforts. Over time, substantially all receivables are collected.

Capital Assets

Capital assets are reported as noncurrent assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets include only those costs incurred since January 1, 2004. Acquisitions of property and equipment, as well as expenditures for repairs, maintenance, renewals, and betterments that substantially prolong the useful lives of capital assets, costing \$4,000 or more are capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives:

Building & Improvements	15 – 40 years
Equipment	5-20 years
Vehicles	5 years
Infrastructure	20 years

In the Fund Financial Statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds when acquired.

Deferred Outflows of Resources

Deferred outflows of resources apply to a future period and will not be recognized as an expenditure until then. The deferred outflow of resources related to pension is the result of the changes in pension plan assumptions and the difference between projected and actual earnings on pension plan investments.

Long-Term Debt

All long-term debt to be repaid from governmental-type resources is reported as liabilities.

Deferred Inflows of Resources

Deferred inflows of resources apply to a future period and will not be recognized as revenue until that time. The deferred inflow of resources related to pensions is the difference between expected and actual experience of the pension plan.

Equity Classifications

The Township classifies governmental fund balances as follows:

Non-Spendable – includes fund balance amounts that cannot be spent either because the amounts are not in spendable form or are legally or contractually required to maintain intact.

Restricted – includes fund balance amounts that are restricted to specific purposes by external parties or by law through constitutional provisions or enabling legislation.

LOWER POTTSGROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #2 - Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Committed – includes fund balance amounts that can only be used for specific purposes due to formal action of the Township’s highest level of decision-making authority, which is the Board of Commissioners. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements.

Assigned – includes fund balance amounts that are constrained by the Township’s intent to be used for specific purposes but are not restricted or committed.

Unassigned – includes the residual classification of fund balance of the General Fund.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed.

Spending Policy

The Township Commissioners approved a Stabilization Policy whereby \$1,400,000 is to be set aside for use in emergency situations.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Real Estate Tax Calendar

Property taxes are levied on February 1 and are payable on or before May 31. The tax levy ordinance for the 2020 calendar year levied taxes on February 1, 2020 at 3.868 mills for general (2.708 mills), fire protection (0.66 mills) and capital reserve (0.5 mills). Due to the COVID-19 pandemic, taxes paid prior to May 1 were payable at a 2% discount, and the face amount was extended to the end of 2020. Any unpaid taxes at the end of the year are reported to and collected by Portnoff Law Associates, Ltd. Unpaid taxes greater than \$50 at the end of the year are lienied. The taxes are levied based on assessed values on property. Assessed values approximate market value.

Date of Management’s Review

Management has evaluated subsequent events through March 15, 2021, the date on which the financial statements were available to be issued.

Note #3 - Cash & Cash Equivalents

Custodial Credit Risk

Bank balances are categorized to give an indication of the level of risk assumed by the Township at year-end. The categories are described as follows:

<u>CATEGORY</u>	<u>DESCRIPTION</u>
1	Insured or collateralized with securities held by the Township or its agent in the Township’s name.
2	Collateralized with securities held by the pledging financial institution’s trust department or agent in the Township’s name.
3	Uncollateralized.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #3 - Cash & Cash Equivalents

Custodial Credit Risk (Continued)

On December 31, 2020, the carrying amount of the Township's bank deposits was \$5,181,316 and the bank balance was \$5,421,427, of which \$1,000,005 (Category 1) was directly covered by depository insurance. The remaining deposits, totaling \$2,362,586, were collateralized with Pennsylvania Act No. 72 of 1971, which requires that financial institutions secure cash deposits of local governments by pledging a pool of assets, as defined by the Act, to cover all public funds deposited in excess of depository insurance amounts. \$2,058,836 is covered by an Irrevocable Standby Letter of Credit up to \$6,000,000.

Note #4 - Investments

Investments held by the Fiduciary Funds include various exchange-traded products held in brokerage accounts. In accordance with the Township policy, the assets of the Pension Funds are invested in such investments as are authorized by Act 600.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township, and are held by either (1) the counterparty or (2) the counterparty's trust department or agent but not in the Township's name. The investments held by the Fiduciary Funds are subject to custodial credit risk, with the exception of the balances protected by the Securities Investor Protection Corporation (SIPC). The SIPC protects securities up to \$500,000, including a \$250,000 limit for cash. SIPC does not protect against investment losses. The investments held by the Pension Funds are maintained in two Charles Schwab broker accounts, which are members of the SIPC.

As of December 31, 2020, Pension Trust Fund cash, cash equivalents and investments totaled \$11,065,124, of which \$10,065,124 was subject to custodial credit risk.

Concentration of Credit Risk

As of December 31, 2020, there was no investment in any one issuer that represented 5% or more of total investment.

Interest Rate Risk

Fiduciary fund investments in corporate bonds are scheduled to mature during the years 2021 through 2025; the interest rates of the bonds range from 0.75% to 3.3%.

Investment Income

Net Investment Income for the year ended December 31, 2020 consists of the following:

	<u>Police</u>	<u>Non-Uniform</u>
Interest & Dividends	\$ 104,599	\$ 58,661
Net Unrealized Gains	750,521	427,555
Investment Fees	<u>(32,665)</u>	<u>(18,485)</u>
Total	<u>\$ 822,455</u>	<u>\$ 467,731</u>

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #5 - Note Receivable

The Township agreed to provide a decommissioned 2016 Chevrolet Tahoe for \$12,500 to the Animal Control Officer. \$2,500 was deducted from the payment of the annual Animal Control Services billed to the Township in 2020. The balance of the Note Receivable on December 31, 2020 is \$10,000. Scheduled principal maturities of the Note Receivables are \$3,333 for years 2021 through 2023.

Note #6 - Capital Assets

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

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Ending</u>
Land	\$ 3,864,312	\$ 0	\$ 0	\$ 3,864,312
Building & Improvements	1,937,355	0	0	1,937,355
Equipment	1,654,035	17,815	0	1,671,850
Vehicles	1,152,388	141,830	(115,376)	1,178,842
Infrastructure	<u>5,026,411</u>	<u>109,973</u>	<u>0</u>	<u>5,136,384</u>
Total Capital Assets	13,634,501	269,618	(115,376)	13,788,744
Less: Accumulated Depreciation	<u>(5,039,786)</u>	<u>(529,521)</u>	<u>73,126</u>	<u>(5,496,181)</u>
Total Capital Assets, Net	<u>\$ 8,594,715</u>	<u>\$ (259,903)</u>	<u>\$ (42,250)</u>	<u>\$ 8,292,562</u>

Note #7 - Long-Term Liabilities

Long-term debt of the General Fund consisted of the following:

	Balance Outstanding 2019	Net Additions (Reductions)	Balance Outstanding 2020
Promissory Note, Series 2016, Initial issue \$291,241 for the purchase of radio equipment. Interest at 0%, Matures January 2020.	\$ 56,930	\$ (56,930)	\$ 0
Promissory Note, Series 2017, Initial issue \$22,655 for the purchase of 2017 Ford Explorer. Interest at 2.59%, Matures May 2020.	3,233	(3,233)	0
Promissory Note, Series 2018, Initial issue \$76,099 for the purchase of 2018 Ford F-550 Truck. Interest at 3.34%, Matures August 2023.	<u>56,884</u>	<u>(14,890)</u>	<u>41,994</u>
Total	<u>\$ 117,047</u>	<u>\$ (75,053)</u>	<u>\$ 41,994</u>

Aggregate debt service requirements of the General Fund are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 15,363	\$ 1,173	\$ 16,536
2022	15,884	652	16,536
2023	<u>10,747</u>	<u>136</u>	<u>10,883</u>
Total	<u>\$ 41,994</u>	<u>\$ 1,961</u>	<u>\$ 43,955</u>

Total interest paid on the notes in 2020 was \$1,646.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #7 - Long-Term Liabilities (Continued)

Compensated Absences

The cost of vacation and sick pay is recognized in the fund financial statements at the time the vacation and sick days are used by the employee or are paid at termination. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, the accrued liability is recorded as \$64,212.

Vacation Pay

All police officers earn vacation based on a sliding scale that corresponds with years-of-service ranging from 40 hours to 200 hours per year. The Township requires that all vacation time be utilized during the year earned: however, the Police Chief may approve an officer's request to carry over vacation time for not more than 30 days if it is deemed in the best interest of the Police Department. Upon non-disciplinary termination or retirement, a police officer is eligible for payment of unused vacation days. As of December 31, 2020, the value of unused vacation days to police officers totaled \$0.

All full-time non-uniformed employees earn vacation days based on a sliding scale that corresponds with years-of-service ranging from 40 hours to 184 hours per year. The Township requires that all vacation time be utilized during the year unless specific written approval is received to carry unused time to the subsequent year. Upon termination or retirement, employees are compensated for their unused vacation days. On December 31, 2020, the value of unused vacation days to non-uniformed employees totaled \$7,553.

Sick Pay

All police officers are granted sick leave at the rate of ten hours per month. A new police officer is granted 40 sick leave hours upon 90 days of employment. Upon non-disciplinary termination, a police officer is eligible for compensation based on 10% of unused sick time, not to exceed 104 hours. On December 31, 2020, the value of unused sick days to police officers totaled \$566,593, and the related liability is \$56,659.

All full-time non-uniformed employees are granted sick pay at the rate of eight days per calendar year after one year of service. Non-uniform employees may accumulate up to 30 sick days. Employees hired before January 1, 2015 will be grandfathered under the previous policy of 60 days but once he/she falls below the 30-day threshold they will not be permitted to accumulate back up to 60 days. On December 31, 2020, the value of unused sick days to non-uniformed employees totaled \$102,516. Accrued sick leave is cancelled upon termination of employment; accordingly, there is no liability for unused sick days for non-uniformed employees on December 31, 2020.

Compensatory Hours/Time

Police officers can earn compensatory hours in lieu of monetary overtime compensation, at a rate of not less than 1 ½ hours of compensatory time for each hour of overtime worked. Compensatory hours can be accumulated to a maximum of 48 hours annually. If an officer chooses to carry time over to the next calendar year, that time will be deducted from the maximum 48 hours permitted for that proceeding year. The value of compensatory hours on December 31, 2020 is \$0.

Non-uniformed employees may request compensatory time off in lieu of overtime at the rate of 1 ½. Compensatory time off may be accumulated to a maximum of 40 hours and must be used by December 31 of each year. Any accrued, unused compensatory time remaining as of the last pay period in December will be included in the non-uniformed employee's final paycheck of the year.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #8 - Pension Plan

The Township administers and contributes to two defined benefit plans: a Police Pension plan for police officers and a Non-uniformed Pension plan for municipal employees of the Township. The plans are governed by the Board of Commissioners, who are responsible for the management of the plan assets. The Board of Commissioners has delegated the management of certain plan assets to an investment advisor. The assets of the Plans are invested separately, and each Plan's assets may be used only for the payment of benefits to the members of the Plans, in accordance with the terms of the Plans.

Plan Descriptions, Contribution Information, and Funding Policies

Plan Description

The Lower Pottsgrove Township Police Pension Plan and Lower Pottsgrove Township Non-Uniform Employees' Pension Plan are single employer defined benefit pension plans that provide retirement, disability and death benefits to plan members and their beneficiaries. Plan provisions are established by Township ordinance with the authority for contributions required by Act 205 of the Commonwealth of Pennsylvania.

Police Pension Plan

The Township contributes to the Lower Pottsgrove Township Police Pension Plan, which is a single-employer public employee retirement system (PERS). The Pension Plan also provides for death benefits and disability benefits to plan members and their beneficiaries. All full-time members of the police force join the Plan upon completion of the first of the month coincident with or next following date of hire. Under the provisions of the Township's Pension Plan, pension benefits vest 100% after 12 years of credited service. Normal retirement is attained at the age of 50 and completion of 25 years of credited service. The normal retirement pension is payable monthly, equal to 50% of Final Average Salary (FAS) over the last 3 years, plus a service increment of 2% of final average earnings for each year of service in excess of 25 years, subject to a \$100 per month maximum increment. Employees who retire early with at least 20 years of credited service receive an actuarially reduced pension. Member contributions for 2020 were 5% of compensation totaling \$97,692. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Non-Uniformed Employees' Pension Plan

The Township contributes to the Lower Pottsgrove Township Non-Uniform Employees' Pension Plan, which is a single employer public employee retirement system (PERS). The Pension Plan provides for death benefits and disability benefits to plan members and their beneficiaries. All employees become members of the Plan the first of the month coincident with or next following date of hire. Under the provisions of the Township's Pension Plan, pension benefits vest at 100% after 5 years of credited service. Effective in 2006, an employee may retire at age 62 with 20 years of credited service and receive a monthly pension equal to 2.2% of the employee's final 36-month average salary times the number of years of service, not to exceed 55% of FAS. Prior to 2006, the grandfather formula is 50% of FAS. In addition, an increment (after age 65 and 10 years of service) of 2% of final 36-month average salary for each year of service beyond normal retirement date to a maximum increment of \$100 per month shall be paid for postponed retirements. Full-time non-uniformed employees contributed 2% of their pay towards the pension plan totaling \$16,597 in 2020. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #8 - Pension Plan (Continued)

Plan Descriptions, Contribution Information, and Funding Policies (Continued)

Plan Membership

On January 1, 2019, the latest Act 205 report, the Township pension plans' memberships consisted of:

	<u>POLICE</u>	<u>NON- UNIFORMED</u>
Active Member	18	14
Retired & Benefit Members	7	5
Vested Members	<u>1</u>	<u>9</u>
Total Membership	<u>26</u>	<u>28</u>

Basis of Accounting

The Pension Plans utilize the accrual basis of accounting. The pension plans are reflected as a Fiduciary Fund in these financial statements. Employee and employer contributions are recognized when due as required by Act 205 of the Commonwealth. Benefits are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Pension plan investments are reported at fair value based on quoted market values. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The following is a summary of investments held by the pension funds:

	<u>Police</u>	<u>Non-Uniform</u>
Schwab Government Money Market Fund	\$ 573,466	\$ 269,885
Equities	4,731,831	2,691,289
Options	(56,839)	(32,821)
Real Estate Investment Trusts	194,282	109,129
Fixed Income Bonds & Certificates of Deposit	<u>806,724</u>	<u>500,656</u>
Total	<u>\$ 6,249,464</u>	<u>\$ 3,538,138</u>

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense was 13.17% for the Police Pension Plan and 13.12% for the Non-Uniformed Pension Plan.

Funding Status and Progress

The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial accrued liability produced by the Entry Age Normal Actuarial Cost method. This method is used for plan funding and is allowed, in lieu of the standardized measure, for smaller municipalities. It is intended to help users assess the pension plans' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS. The measure is independent of the actuarial funding method used to determine contributions to the PERS, discussed below. Administrative costs are financed through the plans' investment earnings.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #8 - Pension Plan (Continued)

Plan Descriptions, Contribution Information, and Funding Policies (Continued)

Annual Pension Cost, Net Pension Obligation and Reserves

The police pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2020. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.25% per year compounded annually, and (b) projected salary increases of 4.50% per year compounded annually.

The non-uniformed employees' pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2020. Significant actuarial assumptions used include (a) a rate of return on the investments of present and future assets of 7.25% per year compounded annually, and (b) projected salary increases of 4.25% per year compounded annually.

Past Service Costs

There are no unfunded liabilities for either plan for past service costs.

Contributions Required

The pension plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate suitable assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The pension plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period. Total contributions to the Police and Non-Uniformed Pension Plans in 2020 amounted to \$339,808 and \$179,706, respectively, consisting of \$260,963 of State Aid and \$258,551 contributed by the Township.

Deferred Outflows of Resources Related to Pensions

As of December 31, 2020, the Township reported deferred outflows of resources totaling \$517,933. This includes the negative net difference between the projected and actual earnings on pension plan investments that was determined by an actuarial valuation as of December 31, 2020. The net difference between the projected and actual earnings on pension plan investments were (\$374,642) and (\$143,291) for Police and Non-Uniform, respectively. Deferred outflows also include the changes in assumptions since the last actuarial valuation. The changes in assumptions since the latest valuation performed on December 31, 2019 is \$0 for Police and Non-Uniform.

Deferred Inflows of Resources Related to Pensions

As of December 31, 2020, the Township reported deferred inflows of resources totaling \$24,366. This includes the difference between expected and actual experience that was determined by an actuarial valuation as of December 31, 2020. The difference between expected and actual experience were \$32,738 and (\$8,372) for Police and Non-Uniform, respectively.

Net Pension Liability

The Township reported a liability of \$1,021,007 for its proportionate share of the net pension liability for the year ended December 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The Township's proportional share of the net pension liability was based on the Township's share of the minimum municipal obligation relative to the total minimum municipal obligation. On December 31, 2020, the Township's portion was 100% for Police and 67.79% for Non-Uniform.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #8 - Pension Plan (Continued)

Plan Descriptions, Contribution Information, and Funding Policies (Continued)

Net Pension Liability (Continued)

The following represents the proportionate share of the net pension liability of the Township, calculated using the discount rate of 7.25%, 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 (6.5%) or one percentage point higher (8.5%) than the current rate:

	D I S C O U N T R A T E		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.25%)	(7.25%)	(8.25%)
Police Net Pension Liability	\$ 1,972,822	\$ 852,691	(\$ 72,328)
Non-Uniform Net Pension Liability	\$ 504,152	\$ 1 68,316	(\$117,373)

Deferred Retirement Option Plan "DROP"

The Police Pension plan includes a provision for a deferred retirement option plan.

Note #9 - Net Post-Employment Benefits Obligation (OPEB)

Plan Description and Funding Policies

The Township provides insurance coverage for health, hospitalization, including vision and dental, for each retired police officer who retires from full-time employment with the Township and who is at least 52 and has completed 25 years of service (but not his/her spouse or other dependent family members).

The Township will continue to provide the health care coverage for the officer until the earliest of the following: a) the officer attains age sixty-five (65); or b) the officer obtains other employment with equal or similar coverage available at no cost to the officer; or c) the officer's spouse obtains employment with fully paid health care for the officer; or d) the death of the officer.

The Plan is financed on a pay-as-you-go basis. Healthcare insurance premiums are paid from the Township's General Fund. In the Fund Financial Statements, expenditures for post-retirement health care benefits are recognized as the insurance premiums are incurred. In the Government-Wide Financial Statements, expenses for post-retirement healthcare benefits are recognized in an amount equal to the net change in the net OPEB obligation. For the year ending December 31, 2020, the Township paid a total of \$19,272 OPEB benefits to (2) retired police officers.

The Township does not provide post-employment benefits to its non-uniformed retirees, their beneficiaries, or their dependents.

Net OPEB Liability

The following represents the proportionate share of the net OPEB liability of the Township, calculated using the discount rate of 2.12%, as well as what the Township's net OPEB would be if it were calculated using a discount rate that is one percentage point lower (1.12%) or one percentage point higher (3.12%) than the current rate:

	D I S C O U N T R A T E		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(1.12%)	(2.12%)	(3.12%)
Police OPEB Liability	\$ 1,595,293	\$ 1,416,077	\$ 1,257,912

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note #9 - Net Post-Employment Benefits Obligation (OPEB)

Plan Description and Funding Policies (Continued)

Net OPEB Liability (Continued)

The net OPEB liability, \$1,416,077, was determined by an actuarial valuation as of December 31, 2020. The participants valued as of December 31, 2020 include 18 active employees and 2 retirees. Actuarial assumptions include: Medical Inflation Rate 8% in the first year, decreasing by 1% per year to an ultimate rate of 5% and Interest Rate of 2.12% (per the Bond Buyer AA Index).

Note #10 - Commitment and Contingencies

Commitment

Leases

The Township has a copier lease for the office for (60) payments of \$345 per quarter. The Police Department has a copier lease for (63) payments at \$185 per month. Future minimum lease payments are: 2021 - \$3,599 per year; 2022 - \$2,489; and 2023 - \$345.

Contingencies

Insurance

The Township is self-insured for purposes of Pennsylvania's unemployment insurance. Therefore, any claims are paid directly by the Township.

Litigation

It is the opinion of management that there are no material contingent liabilities due to any pending or threatened litigation claims, or assessments against the Township.

Guarantee of Authority Debt

The Township has guaranteed the Sewer Revenue Notes in 2011 and 2016. Principle outstanding on the notes totaled \$6,381,000 as of December 31, 2020.

Note #11 - Management Agreement

During 1991, the Township entered into a management agreement with the Lower Pottsgrove Township Authority to manage and operate the sewer system in Lower Pottsgrove Township and to perform other functions on behalf of the Authority. The management agreement automatically renews from year to year for one-year terms. Management fees received during 2020 amounted to \$120,000.

Note #12 - Stewardship, Compliance and Accountability

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

Note #13 - Risk Management

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

Note #14 - Subsequent Event

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen that are likely to negatively impact revenues. Voluntary, and then subsequently mandatory, shelter-in-place orders necessitated temporary closing as the uncertainty continues. Though the extent of disruption is expected to be temporary, the extent of the financial impact and other possible impacting matters are unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER POTTS GROVE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
December 31, 2020

	Original/ Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Real Estate Taxes	\$ 2,049,000	\$ 2,027,258	\$ (21,742)
Earned Income Taxes	1,825,000	1,871,115	46,115
Other Taxes	462,500	593,290	130,790
Licenses & Permits	241,200	241,265	65
Fines	45,600	27,966	(17,634)
Interest	32,000	18,469	(13,531)
Intergovernmental Revenues	405,200	451,808	46,608
Charges For Service	899,020	940,189	41,169
Special Assessments	48,800	125,660	76,860
Contributions & Donations	3,100	4,940	1,840
All Other Revenue	140,376	304,504	164,128
TOTAL REVENUES	6,151,796	6,606,464	454,668
EXPENDITURES			
General Government	470,542	434,297	36,245
Police	3,469,054	3,352,846	116,208
Fire	470,600	469,983	617
Code Enforcement, Planning, Zoning	146,093	245,072	(98,979)
Public Works -Sanitation	737,670	738,878	(1,208)
Public Works - Highway & Street	399,680	360,628	39,052
Culture & Recreation	131,670	178,447	(46,777)
Employer Paid Benefits - Pension	519,514	519,514	0
Insurance	89,000	82,107	6,893
All Other Expenditures	14,200	24,551	(10,351)
TOTAL EXPENDITURES	6,448,023	6,406,323	41,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(296,227)	200,141	496,368
FUND BALANCE - BEGINNING OF YEAR	3,942,855	3,942,855	0
FUND BALANCE - END OF YEAR	\$ 3,646,628	\$ 4,142,996	\$ 496,368

The Accompanying Notes are an Integral Part of the Financial Statements.

LOWER POTTS GROVE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUNDS
December 31, 2020

	Original/ Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Interest & Rents	\$ 6,550	\$ 3,449	\$ (3,101)
Intergovernmental Revenues	346,800	393,095	46,295
Special Assessments	19,200	119,042	99,842
Contributions & Donations	11,200	2,550	(8,650)
All Other Revenue	0	91	91
TOTAL REVENUES	<u>383,750</u>	<u>518,227</u>	<u>134,477</u>
EXPENDITURES			
Public Works - Highway & Street	375,036	254,815	120,221
Culture & Recreation	11,850	102,048	(90,198)
All Other Expenditures	8,974	1,646	7,328
TOTAL EXPENDITURES	<u>395,860</u>	<u>358,509</u>	<u>37,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,110)	159,718	171,828
FUND BALANCES - BEGINNING OF YEAR	<u>197,294</u>	<u>197,294</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u>\$ 185,184</u>	<u>\$ 357,012</u>	<u>\$ 171,828</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

OTHER INFORMATION
(Unaudited)

LOWER POTTS GROVE TOWNSHIP
PENSION PLANS SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
December 31, 2020

Funded Status and Funding Progress

Police Pension Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4)/(5)
2009	\$ 2,281,068	\$ 2,913,863	78.28%	\$ 632,795	\$ 1,148,366	55.10%
2011	\$ 2,704,346	\$ 3,417,949	79.12%	\$ 713,603	\$ 1,314,743	54.28%
2013	\$ 2,984,990	\$ 4,061,550	73.49%	\$ 1,076,560	\$ 1,350,217	79.73%
2015	\$ 3,916,337	\$ 4,870,917	80.40%	\$ 954,580	\$ 1,635,473	58.37%
2017	\$ 4,488,133	\$ 5,516,092	81.36%	\$ 1,027,959	\$ 1,834,312	56.04%
2019	\$ 6,129,826	\$ 7,429,960	82.50%	\$ 1,300,134	\$ 1,943,454	66.90%

Non-Uniformed Employees Pension Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4)/(5)
2009	\$ 974,426	\$ 1,802,146	54.07%	\$ 827,720	\$ 783,042	105.71%
2011	\$ 1,341,447	\$ 2,321,961	57.77%	\$ 980,514	\$ 916,204	107.02%
2013	\$ 1,907,868	\$ 2,624,416	72.70%	\$ 716,548	\$ 878,603	81.56%
2015	\$ 2,483,362	\$ 3,018,320	82.28%	\$ 534,958	\$ 833,084	64.21%
2017	\$ 2,838,986	\$ 3,392,301	83.69%	\$ 553,315	\$ 822,145	67.30%
2019	\$ 3,520,225	\$ 4,037,572	87.19%	\$ 517,347	\$ 807,285	64.08%

Schedule of Employer Contributions

Fiscal Year	POLICE			NON-UNIFORMED		
	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (NPO)	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (NPO)
2012	\$ 167,389	100%	-	\$ 191,722	100%	-
2013	\$ 168,021	100%	-	\$ 192,275	100%	-
2014	\$ 201,913	100%	-	\$ 163,659	100%	-
2015	\$ 211,454	100%	-	\$ 154,002	100%	-
2016	\$ 207,408	100%	-	\$ 163,221	100%	-
2017	\$ 214,045	100%	-	\$ 145,580	100%	-
2018	\$ 240,534	100%	-	\$ 162,401	100%	-
2019	\$ 247,223	100%	-	\$ 165,073	100%	-
2020	\$ 339,808	100%	-	\$ 179,706	100%	-



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Lower Pottsgrove Township, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Pottsgrove Township, Pennsylvania, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lower Pottsgrove Township, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing 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 Lower Pottsgrove Township, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Pottsgrove Township, Pennsylvania's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Pottsgrove Township, Pennsylvania'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature of Barbara Atkin CPA in cursive script.

Bechtelsville, Pennsylvania
March 15, 2021