

LOWER POTTS GROVE TOWNSHIP

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2022

Barbara Akins
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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the primary government of Lower Pottsgrove Township, Pennsylvania which comprise the basic financial statements as of December 31, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise Lower Pottsgrove Township, Pennsylvania's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Pottsgrove Township, Pennsylvania and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United State of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Pottsgrove Township, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lower Pottsgrove Township, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Pottsgrove Township, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2022, 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, 2022, 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 separately.

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 is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, 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 that 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.

 Barbara A. Atkins CPA

Bechtelsville, Pennsylvania

March 28, 2023

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*)
Year Ended December 31, 2022

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, 2022.

FINANCIAL HIGHLIGHTS FOR 2021

- *Government Wide Financial Statements* – The Total Net Position (Assets less Liabilities) of the Township's Primary Government was \$9,539,558.
- *Fund Financial Statements* – The Assets of the Township exceeded its Liabilities by \$15,450,498 (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 .75 mills.
- The Township's share of the Earned Income Tax remained at .5%.
- On January 5, 2021, Lower Pottsgrove Township received a Aa3 bond rating from Moody's and the Aa3 rating was reaffirmed January 10, 2023. 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.
- The Township also guarantees \$5,222,000 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, 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 do not include the legally separate component unit of Lower Pottsgrove Township Authority. Separately audited annual financial reports of this component unit can be obtained from the Township office.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2022
(Continued)

The following represents a condensed Statement of Net Position for the Township's governmental activities as of December 31, 2022 and 2021:

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 16,957,347	\$ 16,059,734
Capital Assets	<u>8,959,527</u>	<u>8,087,787</u>
Total Assets	<u>25,916,874</u>	<u>24,147,521</u>
Deferred Outflows of Resource - Pensions	<u>(2,129,786)</u>	<u>1,116,329</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 23,787,088</u>	<u>\$ 25,263,850</u>
Current Liabilities	\$ 1,691,849	\$ 1,517,370
Noncurrent Liabilities	<u>12,565,527</u>	<u>10,728,778</u>
Total Liabilities	<u>14,257,376</u>	<u>12,246,148</u>
Deferred Inflows of Resource - Pensions	<u>(9,846)</u>	<u>384,975</u>
Invested In Capital Assets	9,987,169	8,061,149
Restricted	1,292,384	855,852
Unrestricted	<u>(1,739,995)</u>	<u>3,715,726</u>
Total Net Position	<u>9,539,558</u>	<u>12,632,727</u>
Total Liabilities, Deferred Inflows of Resources, & Net Position	<u>\$ 23,787,088</u>	<u>\$ 25,263,850</u>

Government-wide Financial Analysis

At the end of the current fiscal 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 \$9,539,558 on December 31, 2022. This was a decrease of (\$3,093,169) from the end of 2021.

General revenues for primary government governmental activities of Lower Pottsgrove totaled \$5,869,384 in 2022 while expenses for all governmental activities totaled \$8,823,945. 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 23. 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 2022 due to the uncertainty of the ongoing pandemic. Budgetary comparison statements have been provided for the general fund and the special reserve funds.

GENERAL FUND

The General Fund is the chief operating fund of Lower Pottsgrove Township. In 2022, the fund balance of the general fund increased by \$523,232 from 2021. 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 increased by 16.48% or \$1,237,830. General Fund Expenses increased by 29.06% or \$1,851,714.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2022
(Continued)

GENERAL FUND (Continued)

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 \$2,080,668 received in 2022 and \$1,936,155 received in 2021. Earned Income Tax revenue has remained relatively strong during the pandemic. Earned Income Tax is collected by Berkheimer Associates under Act 32. 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 Tax brought in \$1,632,461 in 2022 versus \$1,621,505 in 2021. The assessed value of the township was \$621,750,834. The discount period was from February 1 to March 31, face from April 1 to May 31, and a 10% penalty from June 1 to December 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 2022, the Township received \$644,701 compared to \$440,217 in 2021. This source of revenue is always difficult to predict.

Local Services Tax increased 8.4% this year. \$178,316 was received in 2022 compared to \$164,412 received in 2021.

Other Revenues

The general fund received \$81,516 in interest earnings for 2022 compared to \$2,996 for 2021.

Lower Pottsgrove Township received \$639,886 in 2022 and \$635,865 in 2021 from the Federal Government through the Coronavirus Local Fiscal Recovery Fund, under the American Rescue Plan Act of 2021. The funds were received from the Commonwealth of PA since Lower Pottsgrove Township is a NEU, non-entitlement unit. The Township has until December 31, 2024 to commit to the spending of these funds and the funds must be spent by December 31, 2026.

In 2022, the Township received \$764,918 in revenue from building permits compared to \$483,345 in 2021.

Trash collection costs and fees: 2022 was the second 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 \$254 annually or \$63.50 per quarter. The total collected in 2022 was \$803,654 compared to \$494,642 in 2021. The majority of payments were received and deposited using Xpress Pay. Starting in 2022, trash and sewer accounts were combined into one bill each quarter. Portnoff Law Associates is the appointed as the delinquent trash collection firm.

Lower Pottsgrove Township 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 2022, \$47,418 was utilized from health insurance and \$7,582 from workers compensation insurance for a total of \$55,000. During 2021, \$46,376 was utilized from health insurance and \$8,624 from workers compensation insurance for a total of \$55,000.

Act 209 Traffic Impact Fees were received in the amount of \$28,120 in 2022 and \$52,460 in 2021. 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.

A PA Department of Conservation and Natural Resources (DCNR) grant was received for \$152,500 and a PA Community Development Block Grant (CDBG) was received in the amount of \$82,450 for the Gerald Richards Park Renovation Project.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2022
(Continued)

GENERAL FUND (Continued)

Expenses

Gasoline/Diesel prices were up across all departments due to the increase in fuel prices in 2022.

For general government, total expenses for 2022 were \$427,849 and \$399,450 in 2021.

A new file server was purchased at a cost of \$33,036 using American Rescue Plan Funds.

For the Police Department, the contract expired December 31, 2020 and the contract was settled by arbitration in January 2023. The salary rates from the 2020 contract were paid in 2022 and retroactive pay was issued in January 2023 when the contract was awarded. The retroactive pay in the amount of \$182,938 has been accrued and included in the 2022 financial reports. There were 20 sworn personnel as of December 31, 2022. One police car was purchased at a cost of \$47,347. Legal expenses were \$43,807 in 2022 and \$60,784 in 2021. Police department expenses were up \$292,078 or 9.04% from 2021.

For planning and codes, the Township has a full-time codes officer and utilized a third-party inspector for some inspections and property maintenance. The third-party inspection expenses were \$10,205 in 2022 and \$12,545 in 2021.

Lower Pottsgrove and Limerick Townships are exploring the opportunity to seek grant funding for the construction of the eastbound ramp at the Sanatoga interchange. The estimated cost would be approximately \$5.5 million dollars. This does not include purchasing an acre of land from the Piazza Group for the ramp.

In 2017, Lower Pottsgrove Township converted all of the PECO lights to LED and took over ownership and maintenance of them. In 2021, the Street Light fund was discontinued. In 2022, \$12,240 was paid for street light electric costs. 2022 was the first full year that the General fund paid the full cost of street lights.

A new 2022 Case 580SN backhoe was purchased from the General Fund for \$145,349. This will be used by the Public Works department for maintenance of Township parks and roadways.

The Pruss Hill Bridge was replaced at a total cost of \$483,848. \$221,243 was paid using American Rescue Plan funds and \$196,800 was paid using a Montgomery County Transportation Program Grant.

The Gerald Richards Park Renovation Project was completed at a cost of \$513,380. The majority of this cost was covered by grants.

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

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 \$287,843 for 2022, \$269,565 for 2021 and \$258,550 for 2020.

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 **Park and 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 from local businesses in the community.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*)
Year Ended December 31, 2022
(Continued)

SPECIAL REVENUE FUNDS (Continued)

The **Park and Recreation fund** received a \$22,500 grant from Pottstown Area Health and Wellness Foundation (PAHWF) for Sanatoga Park pavilion and parking upgrades. A \$12,000 grant was also received from PAHWF for the Sanatoga Park playground and signage project of which \$10,499 was spent toward this project in 2022. A \$2,250 grant was received from Natural Lands Trust for Sanatoga Park signage. In 2022, \$7,900 was spent on lighting and surveillance equipment at Gerald Richards Park.

The **State Liquid Fuels fund** is funded entirely by the Commonwealth of PA for the purpose of highway related expenses. The type of allowable expenses follow PENNDOT guidelines. The revenue from the Commonwealth of PA for 2022 was \$325,944 compared to \$323,294 in 2021. The State Liquid Fuels fund overlayed roads in the amounts of \$180,984 in 2022 versus \$150,893 in 2021. \$63,440 was spent for Oil and Chip in 2022 and \$96,000 in 2021 which will extend the life of the roads. Snow removal costs totaled \$22,580 in 2022 and \$58,415 in 2021. In 2018, a 2018 Ford F550 truck was purchased utilizing a 5-year loan, payments for this loan in 2022 were \$16,536. This fund also pays for road signs and markings, traffic signal electric and maintenance and general highway maintenance.

CAPITAL RESERVE FUND

\$451,636 was collected for Capital Reserve Tax in 2022 and \$300,231 was collected in 2021. In 2021, General Obligation bonds were issued for \$8,475,000 with the proceeds to be used for the design and construction of a new Township municipal building, equipment for the public works and police departments and the repair of bridges in the Township. \$444,100 was paid in debt service in 2022, \$269,100 in interest and \$175,000 in principal payments. In 2021, payments totaled \$218,235 including \$213,235 in interest and \$5,000 in principal. In 2022, \$6,546 was spent for the construction manager for the new proposed municipal campus.

FIDUCIARY FUNDS

The Township is the trustee for its employees' pension plans. It is also responsible for reporting other assets that can be only used for Township employees. The Township cannot use these assets to finance its operations. Full-time Uniform Pension plan employees contribute 5% of their pay towards the pension plan. Full-time Non-Uniform Defined Benefit Pension plan employees and full-time Non-Uniform Defined Contribution Pension plan employees contribute 2% of their pay towards the pension plan. The Uniform Pension Plan investments lost 13.2% in 2022 versus 14% gained in 2021. The Non-Uniform Pension Plan investments lost 13.21% in 2022 versus 14.08% gained in 2021. Additional information on the pension plans is provided in the financial statements.

State Pension Aid did not cover the pension responsibility for the Township. For 2022, the shortfall for the pension plans that was paid by the General fund was \$287,843, the difference between the MMO \$541,685 and State Pension Aid \$253,842. For 2021, the shortfall was \$269,565.

The January 1, 2021 Act 205 valuation report is the most current that has been prepared by the Pension Plan Actuary.

The December 31, 2022 GASB 67 study for the Police Pension Plan reflects the Police Pension Plan unfunded liability of \$2,455,346 or 74.48% funded versus an unfunded liability of \$1,097,469 or 88.03% funded as of December 31, 2021. The December 31, 2022 GASB 67 study for the Non-Uniform Defined Benefit Pension Plan reflects the Non-Uniform Pension Plan unfunded liability of \$578,606 or 87.32% funded versus a fully funded liability of (\$223,452) or 105.09% funded as of December 31, 2021.

The latest GASB 75 study reflects the Police OPEB (Retiree Healthcare) Estimated Accrued Liability as of December 31, 2021 was \$1,522,861.

BUDGETS

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 to demonstrate compliance with the budget.

LOWER POTTS GROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*)
Year Ended December 31, 2022
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

GENERAL FUND

In December 2022, 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 2023 with a General Fund budget of \$7,604,346 compared with the 2022 General Fund budget of \$8,147,397. The real estate tax remained the same at 2.708 mils and fire tax remained the same at .66 mils.

The Infrastructure Committee is continuing to explore options for a possible future municipal campus through renovating an existing building. We are currently meeting with architecture firms that specialize in renovations instead of the traditional new building that was planned previously for the High Street and South Pleasantview Road location.

The Township will continue trash and single stream curbside recycling collection with J P Mascaro for the third year of the contract. The trash collection fee will increase from \$254 per year to \$256 per year, billed in quarterly installments of \$64 each. The trash bill is included on one bill with the sewer service.

The Police department budgeted for a total of 20 sworn police personnel. The arbitration award was issued in December 2022, commencing on January 1, 2021 with an expiration date of December 31, 2025. Retroactive pay in the amount of \$182,938 for 2021 and 2022 was paid out in January 2023.

The Township will continue to use the Rate Stabilization Fund Credits for its health insurance with Delaware Valley Health Trust and for workers compensation insurance from Delaware Valley Workers Compensation Trust. In 2023, \$46,474 will be utilized from the Health Insurance Trust and \$6,526 will be used for the Workers Comp Trust for a total of \$53,000.

\$100,000 will be spent from the General Fund for the Heritage Drive paving project and Township roads base repair.

\$6,400 for High and Pleasantview Signal repairs and \$8,000 for a consultant is being budgeted using American Rescue Plan funds. As of December 31, 2022, the Township has \$1,035,973 remaining from the American Rescue Plan State and Local Fiscal Recovery Funds. The Township has until December 31, 2024 to obligate the funds and until December 31, 2026 to actually spend them. The Township is exploring the use of the funds for the replacement of the North Adams Street bridge and the implementation of the Township-wide radio system for municipal employees to talk amongst themselves instead of via thru cell phones.

Sanatoga Park improvements are expected to be completed using \$55,750 in grants and donations.

LIQUID FUELS FUND

The Liquid Fuels fund plans to overlay \$241,000 in roads and expend \$85,000 to oil and chip the roads in 2023. Loan payments of \$11,024 will be made on the purchase of the 2018 F550 dump truck. The truck will be paid in full in 2023.

CAPITAL RESERVE FUND

The Capital Reserve tax is expected to bring in \$458,000 of revenue in 2023. This tax will fund debt service and future Township infrastructure.

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, 2022

	Primary Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash & Cash Equivalents	\$ 16,244,554
Taxes Receivable	227,001
Other Receivables	482,459
Notes Receivable	3,333
Total Current Assets	<u>16,957,347</u>
Capital Assets	
Non-Depreciable (Land)	3,864,312
Depreciable, Net of Accumulated Depreciation	5,095,215
Total Capital Assets	<u>8,959,527</u>
TOTAL ASSETS	<u>25,916,874</u>
DEFERRED OUTFLOWS OF RESOURCES - Pensions	<u>(2,129,786)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 23,787,088</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable & Accrued Expenses	\$ 430,387
Escrows (Land Improvements, Etc.)	1,065,705
Bonds Payable	185,000
Notes Payable	10,757
Total Current Liabilities	<u>1,691,849</u>
Noncurrent Liabilities	
Bonds Payable	8,110,000
Liability for Compensated Absences	70,648
Net Other Post-Employment Benefits Obligation (OPEBP)	1,522,861
Net Pension Liabilities	2,862,018
Total Noncurrent Liabilities	<u>12,565,527</u>
TOTAL LIABILITIES	<u>14,257,376</u>
DEFERRED INFLOWS OF RESOURCES - Pensions	<u>(9,846)</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	9,987,169
Restricted	1,292,384
Unrestricted	(1,739,995)
TOTAL NET POSITION	<u>9,539,558</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	<u><u>\$ 23,787,088</u></u>

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

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 510,408	\$ 154,674	\$ 387,213	\$ 0	\$ 31,479
Public Safety	4,202,688	1,044,528	10,341	639,886	(2,507,933)
Sanitation	1,207,638	808,146	0	0	(399,492)
Highways & Streets	1,314,872	28,120	326,771	196,800	(763,181)
Culture & Recreation	664,374	0	10,400	271,700	(382,274)
Employer Paid Benefits - Pension	541,685	0	0	0	(541,685)
Insurance	95,519	0	0	0	(95,519)
All Other Expenditures	286,761	0	0	0	(286,761)
Total Governmental Activities	<u>8,823,945</u>	<u>2,035,468</u>	<u>734,725</u>	<u>1,108,386</u>	<u>(4,945,366)</u>
		General Revenues			
		Taxes - Real Estate			2,541,992
		Taxes - Earned Income			2,080,668
		Taxes - Other			856,073
		Unrestricted Investment Earnings & Rents			249,526
		Net Gain (Loss) on Sale of Capital Assets			47,898
		Miscellaneous			93,227
			Total General Revenues		<u>5,869,384</u>
		Net Adjustments for:			
		Capital Outlays & Depreciation Expense			871,740
		Compensated Absences, OPEB & Pensions			(4,888,927)
			Change in Net Position		(3,093,169)
		Net Position - Beginning of Year			<u>12,632,727</u>
			Net Position - End of Year		<u>\$ 9,539,558</u>

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

LOWER POTTS GROVE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2022

	General Fund	SPECIAL REVENUE			Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
		Liquid Fuels	Park & Recreation				
ASSETS							
Cash & Cash Equivalents	\$ 6,586,190	\$ 267,692	\$ 68,101	\$ 335,793	\$ 9,322,571	\$ 16,244,554	
Taxes Receivable	227,001	0	0	0	0	227,001	
Other Receivables	482,094	276	0	276	89	482,459	
Notes Receivable	3,333	0	0	0	0	3,333	
TOTAL ASSETS	\$ 7,298,618	\$ 267,968	\$ 68,101	\$ 336,069	\$ 9,322,660	\$ 16,957,347	
LIABILITIES							
Accounts Payable	\$ 75,648	\$ 800	\$ 0	\$ 800	\$ 18	\$ 76,466	
Accrued Payroll & Payroll Taxes	353,921	0	0	0	0	353,921	
Escrows (Land Improvements, Etc.)	1,065,705	0	0	0	0	1,065,705	
Note Payable	0	10,757	0	10,757	0	10,757	
TOTAL LIABILITIES	1,495,274	11,557	0	11,557	18	1,506,849	
FUND BALANCES							
Restricted per the American Rescue Plan	1,035,973	0	0	0	0	1,035,973	
Restricted for Street Maintenance	0	256,411	0	256,411	0	256,411	
Assigned for Park & Recreation	0	0	68,101	68,101	0	68,101	
Unassigned Fund Balance:							
Designated for Infrastructure	448,280	0	0	0	160,848	609,128	
Designated for Capital Construction	104,886	0	0	0	9,161,794	9,266,680	
Designated for Park & Recreation	110	0	0	0	0	110	
Designated for Emergencies	1,400,000	0	0	0	0	1,400,000	
Undesignated	2,814,095	0	0	0	0	2,814,095	
TOTAL FUND BALANCES	5,803,344	256,411	68,101	324,512	9,322,642	15,450,498	
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,298,618	\$ 267,968	\$ 68,101	\$ 336,069	\$ 9,322,660	\$ 16,957,347	

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, 2022

Total Fund Balances - Governmental Funds	\$ 15,450,498
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 \$6,225,151)	8,959,527
Long-Term Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds.	
General Obligation Bonds, Series of 2021	(8,295,000)
Liability for Compensated Absences	(70,648)
Net Other Post-Employment Benefits Obligation	(1,522,861)
Net Pension Liability, Net of Related Deferred Outflows & Inflows	<u>(4,981,958)</u>
Net Position of Governmental Activities	<u>\$ 9,539,558</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, 2022

	SPECIAL REVENUE			Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
	General Fund	Liquid Fuels	Park & Recreation			
REVENUES						
Real Estate Taxes	\$ 2,082,761	\$ 0	\$ 0	\$ 0	\$ 459,231	\$ 2,541,992
Earned Income Taxes	2,080,668	0	0	0	0	2,080,668
Other Taxes	856,073	0	0	0	0	856,073
License & Permits	243,500	0	0	0	0	243,500
Fines	31,787	0	0	0	0	31,787
Interest & Rents	81,516	4,467	3,080	7,547	160,463	249,526
Intergovernmental Revenues	1,466,601	326,771	0	326,771	0	1,793,372
Charges For Service	1,732,061	0	0	0	0	1,732,061
Special Assessments	28,120	0	0	0	0	28,120
Contributions & Donations	2,589	0	47,150	47,150	0	49,739
All Other Revenues	141,125	0	0	0	0	141,125
TOTAL REVENUES	8,746,801	331,238	50,230	381,468	619,694	9,747,963
EXPENDITURES						
General Government	501,719	0	0	0	8,689	510,408
Police	3,522,670	0	0	0	0	3,522,670
Fire	503,815	0	0	0	0	503,815
Code Enforcement, Planning, Zoning	176,203	0	0	0	0	176,203
Public Works - Sanitation	1,207,638	0	0	0	0	1,207,638
Public Works - Highway & Street	1,020,751	294,120	0	294,120	0	1,314,871
Culture & Recreation	637,209	0	27,165	27,165	0	664,374
Employer Paid Benefits - Pension	541,685	0	0	0	0	541,685
Insurance	95,519	0	0	0	0	95,519
Debt Service	0	655	0	655	444,746	445,401
All Other Expenditures	16,360	0	0	0	0	16,360
TOTAL EXPENDITURES	8,223,569	294,775	27,165	321,940	453,435	8,998,944
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	523,232	36,463	23,065	59,528	166,259	749,019
FUND BALANCES - BEGINNING OF YEAR	5,280,112	219,948	45,036	264,984	9,156,383	14,701,479
FUND BALANCES - END OF YEAR	\$ 5,803,344	\$ 256,411	\$ 68,101	\$ 324,512	\$ 9,322,642	\$ 15,450,498

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, 2022

Net Change In Fund Balances - Total Governmental Funds \$ 749,019

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	1,362,971
Depreciation Expense	(479,162)
Capital Assets Sold/Junked	(207,582)
Accumulated Depreciation for Capital Assets Sold/Junked	195,512
	871,739

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

General Obligation Bonds, Series of 2021	175,000
Liability for Compensated Absences	(12,483)
Net Pension Liability, Net of Related Deferred Outflows and Inflows	(4,876,444)
	(4,713,927)

Change in Net Position of Governmental Activities	\$ (3,093,169)
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The Accompanying Notes are an Integral Part of these Financial Statements.

LOWER POTTS GROVE TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2022

	Police Pension Fund	Non-Uniformed Pension Fund	Total Pension Trust Funds
ASSETS			
Cash & Cash Equivalents	\$ 861,892	\$ 411,043	\$ 1,272,935
Investments	<u>6,302,934</u>	<u>3,575,362</u>	<u>9,878,296</u>
TOTAL ASSETS	<u>7,164,826</u>	<u>3,986,405</u>	<u>11,151,231</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>7,164,826</u>	<u>3,986,405</u>	<u>11,151,231</u>
TOTAL NET POSITION	<u><u>\$ 7,164,826</u></u>	<u><u>\$ 3,986,405</u></u>	<u><u>\$ 11,151,231</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, 2022

	Police Pension Fund	Non-Uniformed Pension Funds	Total Pension Trust Funds
ADDITIONS			
Contributions			
Township & Commonwealth of PA	\$ 390,096	\$ 139,088	\$ 529,184
Employees'	98,701	13,924	112,625
Net Investment (Loss)	(958,449)	(540,236)	(1,498,685)
Refund of Prior Expenditure	0	2,078	2,078
TOTAL ADDITIONS	<u>(469,652)</u>	<u>(385,146)</u>	<u>(854,798)</u>
DEDUCTIONS			
Benefit Payments	419,820	236,232	656,052
Return of Police Contributions	12,289	0	12,289
Administrative Expenses	5,366	5,984	11,350
TOTAL DEDUCTIONS	<u>437,475</u>	<u>242,216</u>	<u>679,691</u>
CHANGE IN NET POSITION	(907,127)	(627,362)	(1,534,489)
TOTAL NET POSITION - BEGINNING	<u>8,071,953</u>	<u>4,613,767</u>	<u>12,685,720</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 7,164,826</u></u>	<u><u>\$ 3,986,405</u></u>	<u><u>\$ 11,151,231</u></u>

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

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

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 can 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 based on 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 sources 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, 2022

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.

Capital Reserve Fund

This fund was established to fund township infrastructure, construction of a new municipal building and debt service. A capital reserve tax at .75 mills is included as revenue in this fund. Debt service payments for the General Obligation Bonds, Series of 2021 are paid from 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.

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 addresses the specific types of risks to which the Township is exposed.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivables 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.

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.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #2 - Significant Accounting Policies (Continued)

Equity Classifications (Continued)

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 2022 calendar year levied taxes on February 1, 2022 at 4.118 for general (2.708 mills), fire protection (0.66 mills) and capital reserve (0.75 mills). 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 lien. 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 28, 2023, 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.

On December 31, 2022, the carrying amount of the Township's bank deposits was \$16,244,554 and the bank balance was \$16,555,329 of which \$500,005 (Category 1) was directly covered by depository insurance. The remaining deposits, totaling \$13,029,880, 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. \$3,025,444 is covered by an Irrevocable Standby Letter of Credit up to \$7,500,000.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

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, 2022, Pension Trust Fund cash, cash equivalents and investments totaled \$11,151,231, of which \$10,151,231 was subject to custodial credit risk.

Concentration of Credit Risk - As of December 31, 2022, there was no one 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 2023 through 2027; the interest rates of the bonds range from 0.4% to 4.3%.

Investment Income - Net Investment Income for the year ended December 31, 2022 consists of the following:

	Police	Non-Uniform
Interest & Dividends	\$ 114,487	\$ 66,184
Net Unrealized (Losses)	(1,033,652)	(584,136)
Investment Fees	<u>(39,284)</u>	<u>(22,284)</u>
Total	<u>\$ (958,449)</u>	<u>\$ (540,236)</u>

Note #5 - Note Receivable

The Township agreed to provide a decommissioned 2016 Chevrolet Tahoe for \$12,500 to the Animal Control Officer in 2020. \$3,333 was deducted from the payment of the annual Animal Control Services billed to the Township in 2022. The balance of the Note Receivable on December 31, 2022 is \$3,333.

Note #6 - Capital Assets

Capital asset activity of the primary government for the year ended December 31, 2022 was as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Land	\$ 3,864,312	\$ 0	\$ 0	\$ 3,864,312
Building & Improvements	1,994,330	514,735	0	2,509,065
Equipment	1,688,580	43,535	(95,342)	1,636,773
Vehicles	1,194,788	192,696	(112,239)	1,275,245
Infrastructure	<u>5,287,277</u>	<u>612,006</u>	<u>0</u>	<u>5,899,283</u>
Total Capital Assets	14,029,287	1,362,972	(207,581)	15,184,678
Less: Accumulated Depreciation	<u>(5,941,500)</u>	<u>(479,162)</u>	<u>195,511</u>	<u>(6,225,151)</u>
Total Capital Assets, Net	<u>\$ 8,087,787</u>	<u>\$ 883,810</u>	<u>\$ (12,070)</u>	<u>\$ 8,959,527</u>

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #7 - Long-Term Liabilities

Note Payable – Liquid Fuels Fund

	Balance Outstanding 2021	(Reductions)	Balance Outstanding 2022
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>\$ 26,638</u>	<u>\$ (15,881)</u>	<u>\$ 10,757</u>

Aggregate debt service requirements are as follows:

Year Ending	Principal	Interest	Total
2023	<u>\$ 10,757</u>	<u>\$ 136</u>	<u>\$ 10,893</u>

Total interest paid on the note in 2022 was \$655.

General Obligation Bonds, Series 2021 – Capital Reserve Fund

	Balance Outstanding 2021	(Reductions)	Balance Outstanding 2022
Initial issue \$8,475,000, Interest rate ranging from 3% to 5% per annum, Matures December 2050.	<u>\$ 8,470,000</u>	<u>\$ (175,000)</u>	<u>\$ 8,295,000</u>

Aggregate debt service requirements are as follows:

Year Ending	Principal	Interest	Total
2023	\$ 185,000	\$ 260,350	\$ 445,350
2024	190,000	251,100	441,100
2025	200,000	241,600	441,600
2026	210,000	231,600	441,600
2027	220,000	225,300	445,300
Thereafter	<u>7,290,000</u>	<u>2,905,800</u>	<u>10,195,800</u>
	<u>\$ 8,295,000</u>	<u>\$ 4,115,750</u>	<u>\$ 12,410,750</u>

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 \$70,648.

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, 2022, the value of unused vacation days to police officers totaled \$0.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #7 - Long-Term Liabilities (Continued)

Compensated Absences (Continued)

Vacation Pay (Continued)

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, 2022, the value of unused vacation days to non-uniformed employees totaled \$9,185.

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, 2022, the value of unused sick days to police officers totaled \$614,636, and the related liability is \$61,463.

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, 2022, the value of unused sick days to non-uniformed employees totaled \$86,199. 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, 2022.

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, 2022 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.

Note #8 - Pension Plans

Defined Benefit Plans

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.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #8 - Pension Plans (Continued)

Defined Benefit Plans (Continued)

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 2022 were 5% of compensation totaling \$98,701. 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 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 \$13,924 in 2022. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Plan Membership

On January 1, 2021, the latest Act 205 report, the Township pension plans' memberships consisted of:

	Police	Non-Uniformed
Active Member	18	13
Retired & Benefit Members	7	6
Vested Members	<u>3</u>	<u>9</u>
Total Membership	<u>28</u>	<u>28</u>

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #8 - Pension Plans (Continued)

Defined Benefit Plans (Continued)

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

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:

	Police	Non-Uniform
Schwab Government Money Market Fund	\$ 248,495	\$ 134,134
MSQ Cash Management	0	2,078
Equities	4,666,420	2,647,451
Options	(37,677)	(22,804)
Real Estate Investment Trusts	138,493	77,574
Fixed Corporate Bonds & Certificates of Deposit	<u>1,287,203</u>	<u>736,929</u>
Total	<u>\$ 6,302,934</u>	<u>\$ 3,575,362</u>

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense was (15.21%) for the Police Pension Plan and (15.11%) 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.

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, 2022. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.00% per year compounded annually, and (b) projected salary increases of 4.0% per year compounded annually.

The non-uniformed employees' pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2022. Significant actuarial assumptions used include (a) a rate of return on the investments of present and future assets of 7.00% per year compounded annually, and (b) projected salary increases of 4.00% per year compounded annually.

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #8 - Pension Plans (Continued)

Defined Benefit Plans (Continued)

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

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 2022 amounted to \$390,096 and \$139,088, respectively, consisting of \$253,842 of State Aid and \$275,342 contributed by the Township.

Deferred Outflows of Resources Related to Pensions

As of December 31, 2022, the Township reported deferred outflows of resources totaling (\$2,129,786). This includes the net difference between the projected and actual earnings on pension plan investments that was determined by an actuarial valuation as of December 31, 2022. The net difference between the projected and actual earnings on pension plan investments were (\$1,525,282) and (\$604,504) 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, 2022, is \$0 for Police and \$0 for Non-Uniform.

Deferred Inflows of Resources Related to Pensions

As of December 31, 2022, the Township reported deferred inflows of resources totaling (\$9,846). This includes the difference between expected and actual experience that was determined by an actuarial valuation as of December 31, 2022. The difference between expected and actual experience were (\$27,052) and \$17,206 for Police and Non-Uniform, respectively.

Net Pension Liability

The Township reported a liability of \$2,862,018 for its proportionate share of the net pension liability for the year ended December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. 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, 2022, the Township's portion was 100% for Police and 70.28% for Non-Uniform.

The following represents the proportionate share of the net pension liability of the Township, calculated using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	D I S C O U N T R A T E		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Police Net Pension Liability	\$ 3,768,815	\$ 2,455,346	\$ 1,367,048
Non-Uniform Net Pension Liability	\$ 764,100	\$ 406,672	\$ 102,648

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #8 - Pension Plans (Continued)

Deferred Retirement Option Plan "DROP"

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

Defined Contribution Plan

That Township established a policy that all non-uniform employees hired on or after February 1, 2021 will no longer be eligible to participate in the current Non-Uniformed Employees Defined Benefit Pension Plan but will be eligible to participate in the newly established Non-Uniformed Employees Defined Contribution Retirement Plan. Active participants are required to contribute 2% of their compensation. For the year ending December 31, 2022, the Township contributed 6% of eligible employees compensation totaling \$12,501 and the employees contributed \$4,167.

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, 2022, the Township paid a total of \$20,343 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 as of December 31, 2021, the most recent actuarial valuation, calculated using the discount rate of 2.06%, 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 (1.06%) or one percentage point higher (3.06%) than the current rate:

	D I S C O U N T R A T E		
	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Police OPEB Liability	\$ 1,712,443	\$ 1,522,861	\$ 1,355,045

The participants valued as of December 31, 2021 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).

LOWER POTTS GROVE TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

Note #10 - Commitment and Contingencies

Commitment

Leases

The Township has a copier lease for the office for (60) payments of \$345 per quarter. The lease expires January 2023. The Police Department has a copier lease for (63) payments at \$182 per month. Future minimum lease payments per year are: \$2,184 for years 2023 – 2026 ; and \$546 for year 2027.

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 Note, Series of 2016. Principle outstanding on the note is \$5,222,000 as of December 31, 2022.

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 2022 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.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER POTTS GROVE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
December 31, 2022

	Original/ Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Real Estate Taxes	\$ 2,047,000	\$ 2,082,761	\$ 35,761
Earned Income Taxes	1,875,000	2,080,668	205,668
Other Taxes	587,500	856,073	268,573
Licenses & Permits	241,000	243,500	2,500
Fines	33,100	31,787	(1,313)
Interest	2,500	81,516	79,016
Intergovernmental Revenues	1,481,365	1,466,601	(14,764)
Charges For Service	1,197,020	1,732,061	535,041
Special Assessments	175,000	28,120	(146,880)
Contributions & Donations	203,000	2,589	(200,411)
All Other Revenue	223,743	141,125	(82,618)
TOTAL REVENUES	<u>8,066,228</u>	<u>8,746,801</u>	<u>680,573</u>
EXPENDITURES			
General Government	531,083	501,719	29,364
Police	3,713,170	3,522,670	190,500
Fire	483,950	503,815	(19,865)
Code Enforcement, Planning, Zoning	150,622	176,203	(25,581)
Public Works - Sanitation	1,202,210	1,207,638	(5,428)
Public Works - Highway & Street	726,628	1,020,751	(294,123)
Culture & Recreation	701,988	637,209	64,779
Employer Paid Benefits - Pension	534,786	541,685	(6,899)
Insurance	91,360	95,519	(4,159)
All Other Expenditures	11,600	16,360	(4,760)
TOTAL EXPENDITURES	<u>8,147,397</u>	<u>8,223,569</u>	<u>(76,172)</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(81,169)	523,232	604,401
FUND BALANCE - BEGINNING OF YEAR	<u>5,280,112</u>	<u>5,280,112</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,198,943</u>	<u>\$ 5,803,344</u>	<u>\$ 604,401</u>

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, 2022

	Original/ Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Interest & Rents	\$ 985	\$ 7,547	\$ 6,562
Intergovernmental Revenues	323,860	326,771	2,911
Contributions & Donations	7,200	47,150	39,950
TOTAL REVENUES	<u>332,045</u>	<u>381,468</u>	<u>49,423</u>
EXPENDITURES			
Public Works - Highway & Street	415,536	294,120	121,416
Culture & Recreation	8,100	27,165	(19,065)
All Other Expenditures		655	(655)
TOTAL EXPENDITURES	<u>423,636</u>	<u>321,940</u>	<u>101,696</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,591)	59,528	151,119
FUND BALANCES - BEGINNING OF YEAR	<u>264,984</u>	<u>264,984</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u>\$ 173,393</u>	<u>\$ 324,512</u>	<u>\$ 151,119</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, 2022

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)
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%
2021	\$ 8,071,953	\$ 9,169,422	88.03%	\$ 1,097,469	\$ 1,953,885	56.17%
2022	\$ 7,164,826	\$ 9,620,172	74.48%	\$ 2,455,346	\$ 1,948,500	126.01%

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)
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%
2021	\$ 4,613,767	\$ 4,390,315	105.09%	\$ (223,452)	\$ 873,846	(25.57%)
2022	\$ 3,984,327	\$ 4,562,933	87.32%	\$ 578,606	\$ 690,787	83.76%

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)
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%	-
2021	\$ 340,976	100%	-	\$ 180,854	100%	-
2022	\$ 390,096	100%	-	\$ 139,088	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, 2022 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 28, 2023.

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.

Report on 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.



Bechtelsville, Pennsylvania

March 28, 2023