LOWER POTTSGROVE TOWNSHIP

FINANCIAL STATEMENTS
&
OTHER INFORMATION

Year Ended December 31, 2023

Barbara Akins
certified public accountant
relationships. service. integrity

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LOWER POTTSGROVE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Lower Pottsgrove Township, Pennsylvania

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lower Pottsgrove Township, Pennsylvania's primary government 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, 2023, 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. 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.

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, 2023, 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 opinions are not modified with respect to this matter.

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We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of Lower Pottsgrove Township Authority, Pennsylvania, as of and for the year ended December 31, 2023, and a report that expresses an opinion on those financial statements is issued separately.

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 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, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

Barbara A. Ski CPA

Bechtelsville, Pennsylvania
June 7, 2024

LOWER POTTSGROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*)
Year Ended December 31, 2023

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, 2023.

FINANCIAL HIGHLIGHTS FOR 2023

- *Government Wide Financial Statements* – The Total Net Position (Assets less Liabilities) of the Township's Primary Government was $12,884,190.
- *Fund Financial Statements* – The Assets of the Township exceeded its Liabilities by $13,544,117 (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 10, 2023, Moody's reaffirmed Lower Pottsgrove Township's Aa3 bond rating. 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 $4,622,000 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.

The following represents a condensed Statement of Net Position for the Township's governmental activities as of December 31, 2023 and 2022:

Condensed Statement of Net Position

	2023	2022
Current Assets	$ 14,299,180	$ 16,957,347
Capital Assets	11,326,458	8,959,527
Total Assets	25,625,638	25,916,874
Deferred Outflows of Resource - Pensions	1,397,879	(2,129,786)
Total Assets & Deferred Outflows of Resources	$ 27,023,517	$ 23,787,088
Current Liabilities	$ 945,063	$ 1,691,849
Noncurrent Liabilities	13,322,712	12,565,527
Total Liabilities	14,267,775	14,257,376
Deferred Inflows of Resource - Pensions	(128,448)	(9,846)
Invested In Capital Assets	10,553,496	9,987,169
Restricted	787,038	1,292,384
Unrestricted	1,543,656	(1,739,995)
Total Net Position	12,884,190	9,539,558
Total Liabilities, Deferred Inflows of Resources, & Net Position	$ 27,023,517	$ 23,787,088

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 $12,884,190 on December 31, 2023. This was an increase of $3,344,632 from the end of 2022.

General revenues for primary government governmental activities of Lower Pottsgrove totaled $6,516,521 in 2023 while expenses for all governmental activities totaled $10,632,612. 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 2023. 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 2023, the fund balance of the general fund increased by $16,001 from 2022. 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 13.41% or ($1,173,278). General Fund Expenses decreased by 9.19% or (756,047).

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 $2,325,976 received in 2023 and $2,080,668 received in 2022. 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 $1,652,554 in 2023 versus $1,632,461 in 2022. The assessed value of the township was $629,458,484. 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 2023, the Township received $404,294 compared to $644,701 in 2022. This source of revenue is always difficult to predict.

Local Services Tax increased 11.52% this year. $198,864 was received in 2023 compared to $178,316 received in 2022.

Other Revenues

The general fund received $257,971 in interest earnings for 2023 compared to $81,516 for 2022, a significant increase from last year.

$73,922 was received from grants from the Commonwealth of Pennsylvania including $32,672 for Act 101 recycling performance grant and $41,250 from PCCD for police assistance grants.

In 2023, the Township received $315,416 in revenue from building permits compared to $764,918 in 2022.

Trash collection costs and fees: 2023 was the third 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 $256 annually or $64 per quarter. The total collected in 2023 was $797,711 compared to $803,654 in 2022. The majority of payments were received and deposited using Xpress Pay. Trash and sewer accounts are combined into one bill each quarter. Portnoff Law Associates is 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 2023, $46,474 was utilized from health insurance and $6,526 from workers compensation insurance for a total of $53,000. During 2022, $47,418 was utilized from health insurance and $7,582 from workers compensation insurance for a total of $55,000.

Expenses

Gasoline/Diesel prices trended downward slightly in 2023 for all departments.

For general government, total expenses for 2023 were $452,915 and $427,849 in 2022. General government expenses were up $25,067 or 5.85% from 2022.

For the Police Department, there were (19) sworn personnel as of December 31, 2023. The current contract expires December 31, 2025. One police car was purchased at a cost of $53,270. Legal expenses were $14,877 in 2023 and $43,807 in 2022. Police department expenses were up $130,152 or 3.69% from 2022.

GENERAL FUND (Continued)

Expenses

For planning and codes, the Township has a full-time codes officer and utilizes a third-party inspector for some inspections and property maintenance. The third-party inspection expenses were $17,765 in 2023 and $10,205 in 2022.

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 $6 million dollars. This does not include purchasing an acre of land from the Piazza Group for the ramp.

In 2023, $14,208 was paid for street light electric costs and $12,240 in 2022.

The Township utilized the allowable reporting category called the Standard Revenue Loss on the Treasury's Project and Expenditure report for the use of the American Rescue Funds for 4/1/23 to 3/31/24. This is the most non-restrictive use allowable to Lower Pottsgrove Township. During that time, $1,325 was spent on a consultant and $7,542 was spent on updating the High and Pleasantview traffic signal. $535,537 was transferred into the Township General Fund. Also, during that time, the Township earned a total of $43,654 in interest.

The general fund paid $66,136 to pave Heritage Drive.

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 $230,584 for 2023, $287,843 for 2022, $269,565 for 2021 and $258,550 for 2020.

SPECIAL REVENUE FUNDS

Special Revenue Funds of the Township include the 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, summer concert series and fall community day. These events are funded by contributions from local businesses in the community. $6,648 was spent towards the Sanatoga Park Pavilion utilizing a Pottstown Area Health and Wellness Foundation (PAHWF) grant. $5,145 was spent for the signage project at Sanatoga Park utilizing grants from Natural Lands Trust and PAHWF. $11,333 was spent on lighting and surveillance equipment at Gerald Richards Park utilizing a PAHWF grant.

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 is followed using PENNDOT guidelines. The revenue from the Commonwealth of PA for 2023 was $335,099 compared to $325,944 in 2022. The State liquid fuels fund overlayed roads in the amounts of $230,114 in 2023 compared to $180,984 in 2022. $74,214 was spent for oil and chip in 2023, while $63,440 was spent for oil and chip in 2022, this will extend the life of the roads. Snow removal cost $19,927 for 2023 and $22,580 for 2022. In 2018, a 2018 Ford F550 truck was purchased utilizing a 5-year loan, the 2023 payments for this loan were $10,885 and the loan has been paid in full. This fund also pays for road signs and markings, traffic signal electric and maintenance and general highway maintenance.

CAPITAL RESERVE FUND

$457,752 was collected for Capital Reserve Tax in 2023 and $451,636 was collected in 2022. 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. $445,350 was paid in debt service in 2023, $260,350 in interest and $185,000 in principal payments. $444,100 was paid in debt service in 2022, $269,100 in interest and $175,000 in principal payments. $2,500,000 was deposited into escrow with the Montgomery County Court of Common Pleas pursuant to the eminent domain proceeding involving the property located at 1963 East High Street, with said deposit being credited to the ultimate cost for the property.

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 gained 10.42% in 2023 versus lost (13.2%) in 2022. The Non-Uniform Pension Plan investments gained 10.61% in 2023 versus lost (13.21%) in 2022. Additional information on the pension plans is provided in the financial statements.

Additional Pension Information

State Pension Aid did not cover the pension responsibility for the Township. For 2023, the shortfall for the pension plans that was paid by the general fund was $230,584, the difference between the minimum municipal obligation (MMO) $527,806 and State Pension Aid $297,222. In 2022, the shortfall was $287,843 and 2021, the shortfall was $269,565.

The January 1, 2023, Act 205 valuation report is the most current that has been prepared by the Pension Plan Actuary.

The December 31, 2023, GASB 67 study for the Police Pension Plan reflects the Police Pension Plan unfunded liability of $2,725,331 or 74% funded. This is consistent with the unfunded liability of $2,455,346 or 74% funded as of December 31, 2022. On December 31, 2021, the unfunded liability was $1,097,469 or 88% funded.

The December 31, 2023, GASB 67 study for the Non-Uniform Defined Benefit Pension Plan reflects the Non-Uniform Pension Plan unfunded liability of $1,140,897 or 79% funded versus $578,606 or 87% funded as of December 31, 2022. On December 31, 2021, the pension plan liability was fully funded at 105%.

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

GENERAL FUND

In December 2023, 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 2024 with a General Fund budget of $9,897,003 compared with the 2023 General Fund budget of $7,604,346. The real estate tax will increase by .25 mils from 2.708 mils to 2.958 mils. Fire tax will remain the same at .66 mils.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

GENERAL FUND

The Township has contracted with MG Architects of Wyomissing to design the layout for the future home of the Administration and Police Departments. In addition, they will prepare the drawing, bid specifications and assist during the construction phase. The contract is for $243,730. The tentative goal is to bid the renovation project in July 2024 and begin construction in October. The estimated renovation will take between nine-twelve months to complete.

The Township will continue trash and single stream curbside recycling collection with J P Mascaro for the fourth year of the contract. The trash collection fee will increase from $256 per year billed annually to $258 per year, billed in quarterly installments of $64.50 each. The trash bill is included on one bill with the sewer service.

Act 209 Traffic impact fees will be received from Royal Farms and Wawa. This revenue will be used for improvements as outlined in the Act 209 Capital Improvement Plan which has been adopted by the Board of Commissioners.

The Police Department has budgeted for a total of (21) sworn police personnel. One new patrolman has been added in the 2024 budget.

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 2024, $46,474 will be utilized from the Health Insurance Trust and $5,431 will be used for the Workers Comp Trust for a total of $51,905.

$606,674 will be spent from the General Fund for the N. Adams Street Bridge project. A Montgomery County Transportation grant of $310,145 will help to offset the cost to the General Fund.

The Township will utilize the allowable reporting category called the Standard Revenue Loss on the Treasury's Project and Expenditure report for the use of the American Rescue Funds for 4/1/24 to 3/31/25. This is the most non-restrictive use allowable to Lower Pottsgrove Township. The Township has a remaining balance of $546,334 (and any additional interest earned) that will be transferred to the General Fund.

Sanatoga Park improvements are expected to be completed using $22,500 in grants.

LIQUID FUELS FUND

The Liquid Fuels fund plans to overlay $300,000 in roads in 2024.

CAPITAL RESERVE FUND

The Capital Reserve tax is expected to bring in $460,000 revenue in 2024. 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 610-323-0436.

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF NET POSITION
December 31, 2023

	Primary Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash & Cash Equivalents	$ 13,488,179
Taxes Receivable	312,101
Other Receivables	498,900
Total Current Assets	14,299,180
Capital Assets	
Non-Depreciable (Land)	6,364,312
Depreciable, Net of Accumulated Depreciation	4,962,146
Total Capital Assets	11,326,458
TOTAL ASSETS	25,625,638
DEFERRED OUTFLOWS OF RESOURCES - Pensions	1,397,879
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 27,023,517
LIABILITIES	
Current Liabilities	
Accounts Payable & Accrued Expenses	$ 211,394
Escrows (Land Improvements, Etc.)	543,669
Bonds Payable	190,000
Total Current Liabilities	945,063
Noncurrent Liabilities	
Bonds Payable	7,920,000
Arbitrage Rebate Liability	257,076
Liability for Compensated Absences	99,846
Net Other Post-Employment Benefits Obligation (OPEBP)	1,522,861
Net Pension Liabilities	3,522,929
Total Noncurrent Liabilities	13,322,712
TOTAL LIABILITIES	14,267,775
DEFFERED INFLOWS OF RESOURCES - Pensions	(128,448)
NET POSITION	
Invested in Capital Assets, Net of Related Debt	10,553,496
Restricted	787,038
Unrestricted	1,543,656
TOTAL NET POSITION	12,884,190
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	$ 27,023,517

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

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue & Changes in Net Position
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	$ 3,105,837	$ 139,564	$ 427,913	$ 0	$ (2,538,360)
Public Safety	4,334,575	586,731	48,560	0	(3,699,284)
Sanitation	1,219,357	800,547	32,672	0	(386,138)
Highways & Streets	902,721	0	336,294	0	(566,427)
Culture & Recreation	152,223	0	12,429	10,000	(129,794)
Employer Paid Benefits - Pension	530,183	0	0	0	(530,183)
Insurance	116,321	0	0	0	(116,321)
All Other Expenditures	271,395	0	0	0	(271,395)
Total Governmental Activities	10,632,612	1,526,842	857,868	10,000	(8,237,902)
General Revenues					
Taxes - Real Estate					2,578,965
Taxes - Earned Income					2,325,976
Taxes - Other					641,088
Unrestricted Investment Earnings & Rents					778,186
Gain on Sale of Capital Assets					117,422
Miscellaneous					74,884
Total General Revenues					6,516,521
Net Adjustments for:					
Capital Outlays & Depreciation Expense					2,366,931
Arbitrage Rebate Liability					(257,076)
Compensated Absences, OPEB & Pensions					2,956,158
Change in Net Position					3,344,632
Net Position - Beginning of Year					9,539,558
Net Position - End of Year					$ 12,884,190

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

LOWER POTTSGROVE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	SPECIAL REVENUE Liquid Fuels	SPECIAL REVENUE Park & Recreation	Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
ASSETS						
Cash & Cash Equivalents	$ 5,853,985	$ 248,137	$ 50,112	$ 298,249	$ 7,335,945	$ 13,488,179
Taxes Receivable	312,101	0	0	0	0	312,101
Other Receivables	498,900	310	0	310	971	500,181
Due From Other Fund	0	0	0	0	257	257
TOTAL ASSETS	$ 6,664,986	$ 248,447	$ 50,112	$ 298,559	$ 7,337,173	$ 14,300,718
LIABILITIES						
Accounts Payable	$ 37,762	$ 825	$ 0	$ 825	$ 135	$ 38,722
Accrued Payroll & Payroll Taxes	172,672	0	0	0	0	172,672
Escrows (Land Improvements, Etc.)	543,669	0	0	0	0	543,669
Due To Other Fund	257	0	0	0	0	257
TOTAL LIABILITIES	754,360	825	0	825	135	755,320
FUND BALANCES						
Restricted per the American Rescue Plan	539,416	0	0	0	0	539,416
Restricted for Street Maintenance	0	247,622	0	247,622	0	247,622
Assigned for Park & Recreation	0	0	50,112	50,112	0	50,112
Unassigned Fund Balance:						
Designated for Infrastructure	470,505	0	0	0	219,854	690,359
Designated for Capital Construction	110,174	0	0	0	7,117,184	7,227,358
Designated for Park & Recreation	10,000	0	0	0	0	10,000
Designated for Emergencies	1,400,000	0	0	0	0	1,400,000
Undesignated	3,379,250	0	0	0	0	3,379,250
TOTAL FUND BALANCES	5,909,345	247,622	50,112	297,734	7,337,038	13,544,117
TOTAL LIABILITIES AND FUND BALANCES	$ 6,663,705	$ 248,447	$ 50,112	$ 298,559	$ 7,337,173	$ 14,299,437

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

LOWER POTTSGROVE TOWNSHIP
RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2023

Total Fund Balances - Governmental Funds	$ 13,544,117
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 $6,705,307)	11,326,458
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	(8,110,000)
Arbitrage Rebate Liabilitiy	(257,076)
Liability for Compensated Absences	(99,846)
Net Other Post-Employment Benefits Obligation	(1,522,861)
Net Pension Liability, Net of Related Deferred Outflows & Inflows	(1,996,602)
Net Position of Governmental Activities	$ 12,884,190

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

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	SPECIAL REVENUE Liquid Fuels	SPECIAL REVENUE Park & Recreation	Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
REVENUES						
Real Estate Taxes	$ 2,110,195	$ 0	$ 0	$ 0	$ 468,770	$ 2,578,965
Earned Income Taxes	2,325,976	0	0	0	0	2,325,976
Other Taxes	641,088	0	0	0	0	641,088
License & Permits	236,829	0	0	0	0	236,829
Fines	34,486	0	0	0	0	34,486
Interest & Rents	257,971	19,001	4,999	24,000	496,215	778,186
Intergovernmental Revenues	506,607	336,294	0	336,294	0	842,901
Charges For Service	1,255,527	0	0	0	0	1,255,527
Contributions & Donations	12,538	0	12,429	12,429	0	24,967
All Other Revenues	192,306	0	0	0	0	192,306
TOTAL REVENUES	7,573,523	355,295	17,428	372,723	964,985	8,911,231
EXPENDITURES						
General Government	601,374	0	0	0	2,504,463	3,105,837
Police	3,652,822	0	0	0	0	3,652,822
Fire	519,498	0	0	0	0	519,498
Code Enforcement, Planning, Zoning	162,255	0	0	0	0	162,255
Public Works - Sanitation	1,219,357	0	0	0	0	1,219,357
Public Works - Highway & Street	538,765	363,956	0	363,956	0	902,721
Culture & Recreation	120,457	0	35,417	35,417	0	155,874
Employer Paid Benefits - Pension	530,183	0	0	0	0	530,183
Insurance	116,321	0	0	0	0	116,321
Debt Service	0	128	0	128	446,126	446,254
All Other Expenditures	6,490	0	0	0	0	6,490
TOTAL EXPENDITURES	7,467,522	364,084	35,417	399,501	2,950,589	10,817,612
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	106,001	(8,789)	(17,989)	(26,778)	(1,985,604)	(1,906,381)
FUND BALANCES - BEGINNING OF YEAR	5,803,344	256,411	68,101	324,512	9,322,642	15,450,498
FUND BALANCES - END OF YEAR	$ 5,909,345	$ 247,622	$ 50,112	$ 297,734	$ 7,337,038	$ 13,544,117

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

LOWER POTTSGROVE TOWNSHIP
RECONCILIATION OF THE CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2023

Net Change In Fund Balances - Total Governmental Funds	$ (1,906,381)
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	2,895,366
Depreciation Expense	(528,435)
Capital Assets Sold/Junked	(48,280)
Accumulated Depreciation for Capital Assets Sold/Junked	48,280
	2,366,931
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	185,000
Arbitrage Rebate Liability	(257,076)
Liability for Compensated Absences	(29,198)
Net Pension Liability, Net of Related Deferred Outflows and Inflows	2,985,356
	2,884,082
Change in Net Position of Governmental Activities	$ 3,344,632

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

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2023

	Police Pension Fund	Non-Uniformed Pension Fund	Total Pension Trust Funds
ASSETS			
Cash & Cash Equivalents	$ 973,425	$ 324,305	$ 1,297,730
Investments	6,959,289	3,952,650	10,911,939
TOTAL ASSETS	7,932,714	4,276,955	12,209,669
LIABILITIES			
Accounts Payable	200	200	400
TOTAL LIABILITIES	200	200	400
NET POSITION			
Net Position Held In Trust For Pension Benefits	7,932,514	4,276,755	12,209,269
TOTAL NET POSITION	$ 7,932,514	$ 4,276,755	$ 12,209,269

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

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2023

	Police Pension Fund	Non-Uniformed Pension Funds	Total Pension Trust Funds
ADDITIONS			
Contributions			
Township & Commonwealth of PA	$ 390,556	$ 124,176	$ 514,732
Employees'	119,919	13,857	133,776
Net Investment Income	685,348	392,517	1,077,865
TOTAL ADDITIONS	1,195,823	530,550	1,726,373
DEDUCTIONS			
Benefit Payments	419,820	229,285	649,105
Return of Police Contributions	185	0	185
Employer Contribution to Defined Contribution Plan	0	2,105	2,105
Administrative Expenses	8,130	8,810	16,940
TOTAL DEDUCTIONS	428,135	240,200	668,335
CHANGE IN NET POSITION	767,688	290,350	1,058,038
TOTAL NET POSITION - BEGINNING	7,164,826	3,986,405	11,151,231
TOTAL NET POSITION - ENDING	$ 7,932,514	$ 4,276,755	$ 12,209,269

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

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.

Note #2 - Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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.

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.

Note #2 - Significant Accounting Policies (Continued)

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.

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.

Note #2 - Significant Accounting Policies (Continued)

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.

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, 2023 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 liened. 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 June 7, 2024, 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.

Note #2 - Cash & Cash Equivalents (Continued)

Custodial Credit Risk (Continued)

The categories are described as follows:

Category	Description
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, 2023, the carrying amount of the Township's bank deposits was $13,488,179 and the bank balance was $13,793,695 of which $500,005 (Category 1) was directly covered by depository insurance. The remaining deposits, totaling $11,049,993, 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. $2,243,697 is covered by an Irrevocable Standby Letter of Credit up to $6,500,000.

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 (2) Charles Schwab broker accounts, which are members of the SIPC. As of December 31, 2023, Pension Trust Fund cash, cash equivalents and investments totaled $12,209,669, of which $11,209,669 was subject to custodial credit risk.

Concentration of Credit Risk - As of December 31, 2023, 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 2024 through 2029; the interest rates of the bonds range from 0.5% to 5.05%.

Net Investment Income

	Police	Non-Uniform
Interest & Dividends	$ 145,446	$ 76,617
Net Unrealized Gains	579,960	338,656
Investment Fees	(40,058)	(22,756)
Total	$ 685,348	$ 392,517

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 2023. The balance of the Note Receivable on December 31, 2023 is $0.

Note #6 - Capital Assets

Capital asset activity of the primary government for the year ended December 31, 2023 was as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Land	$ 3,864,312	$ 2,500,000	$ 0	$ 6,364,312
Building & Improvements	2,509,065	17,847	0	2,526,912
Equipment	1,636,773	28,818	0	1,665,591
Vehicles	1,275,245	52,452	(48,280)	1,279,417
Infrastructure	5,899,283	296,250	0	6,195,533
Total Capital Assets	15,184,678	2,895,367	(48,280)	18,031,765
Less: Accumulated Depreciation	(6,222,737)	(530,850)	48,280	(6,705,307)
Total Capital Assets, Net	$ 8,961,941	$ 2,364,517	$ 0	$ 11,326,458

Note #7 - Long-Term Liabilities

Note Payable – Liquid Fuels Fund

	Outstanding 2022	(Reductions)	Outstanding 2023
Promissory Note, Series 2018, Initial issue $76,099 for the purchase of 2018 Ford F-550 Truck. Interest at 3.34%, Matured August 2023.	$ 10,757	$ (10,757)	$ 0

Total interest paid on the note in 2023 was $128.

General Obligation Bonds, Series 2021 – Capital Reserve Fund

	Outstanding 2022	(Reductions)	Outstanding 2023
Initial issue $8,475,000, Interest rate ranging from 3% to 5% per annum, Matures December 2050.	$ 8,295,000	$ (185,000)	$ 8,110,000

Aggregate debt service requirements are as follows:

Year Ending	Principal	Interest	Total
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
2028	225,000	218,700	443,700
Thereafter	7,065,000	2,687,100	9,752,100
	$ 8,110,000	$ 3,855,400	$ 11,965,400

Note #7 - Long-Term Liabilities (Continued)

Arbitrage Rebate Liability

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditure on the bonds, must be remitted to the Federal Government every fifth anniversary of each debt issue. The Township used an independent consultant to evaluate the Township's outstanding tax-exempt debt for arbitrage rebate liability and determined that there is a potential arbitrage rebate liability of an uncertain and unknown amount. Should this liability be asserted in the future, the minimum amount of this liability will likely be $257,076. It is uncertain whether any additional liability will be imposed at such time.

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 $99,846.

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, 2023, the value of unused vacation days to police officers totaled $3,973.

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, 2023, the value of unused vacation days to non-uniformed employees totaled $6,511.

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, 2023, the value of unused sick days to police officers totaled $595,816, and the related liability is $59,582.

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, 2023, the value of unused sick days to non-uniformed employees totaled $29,780. 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, 2023.

Note #7 - Long-Term Liabilities (Continued)

Compensated Absences (Continued)

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, 2023 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.

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 2023 were 5% of compensation totaling $119,919. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Note #8 - Pension Plans (Continued)

Defined Benefit Plans (Continued)

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

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 $13,857 in 2023. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Plan Membership

On January 1, 2023, the latest Act 205 report, the Township pension plans' memberships consisted of:

	Police	Non-Uniformed
Active Member	20	9
Retired & Benefit Members	10	9
Vested Members	1	10
Total Membership	31	28

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	$ 138,254	$ 60,011
Large Company Stocks	4,102,356	2,345,455
Small Company Stocks	1,293,991	735,369
Fixed Corporate Bonds & Certificates of Deposit	1,424,688	811,815
Total	$ 6,959,289	$ 3,952,650

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on plan investments, net of plan investment expense was 9.85% for the Police and 9.93% for the Non-Uniformed Pension Plans.

Note #8 - Pension Plans (Continued)

Defined Benefit Plans (Continued)

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

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, 2023. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 6.50% 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, 2023. Significant actuarial assumptions used include (a) a rate of return on the investments of present and future assets of 6.50% per year compounded annually, and (b) projected salary increases of 4.00% 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 2023 amounted to $390,556 and $124,176, respectively, consisting of $297,222 of State Aid and $217,510 contributed by the Township.

Deferred Outflows of Resources Related to Pensions

As of December 31, 2023, the Township reported deferred outflows of resources totaling $1,397,879. 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, 2023.

The net differences between the projected and actual earnings on pension plan investments were $188,579 and $81,856 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, 2023, is $747,436 for Police and $380,008 for Non-Uniform.

Note #8 - Pension Plans (Continued)

Deferred Inflows of Resources Related to Pensions

As of December 31, 2023, the Township reported deferred inflows of resources totaling ($128,448). This includes the differences between expected and actual experience that was determined by an actuarial valuation as of December 31, 2023. The difference between expected and actual experience were ($230,186) and $101,738 for Police and Non-Uniform, respectively.

Net Pension Liability

The Township reported a liability of $3,522,929 for its proportionate share of the net pension liability for the year ended December 31, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. 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, 2023, the Township's portion was 100% for Police and 69.91% for Non-Uniform.

The following represents the proportionate share of the net pension liability of the Township, calculated using the discount rate of 6.50%, 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:

	DISCOUNT RATE		
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Police Net Pension Liability	$ 4,245,368	$ 2,725,331	$ 1,474,902
Non-Uniform Net Pension Liability	$ 1,240,009	$ 797,598	$ 424,806

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 participated 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, 2023, the Township contributed 6% of eligible employees compensation totaling $292,605 and the employees contributed $17,556.

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.

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

Plan Description and Funding Policies (Continued)

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, 2023, the Township paid a total of $20,628 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 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% is $1,522,861. The Township's net OPEB would be $1,712,443 if it was calculated using a discount rate that is one percentage point lower (1.06%) and $1,355,045 if it used one percentage point higher (3.06%) that the current rate. 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).

Note #10 - Commitment and Contingencies

Commitment (Copier Lease)

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 2024 – 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 $4,622,000 as of December 31, 2023.

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 agreement automatically renews for one-year terms. Management fees received during 2023 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 POTTSGROVE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
December 31, 2023

	Original/ Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Real Estate Taxes	$ 2,092,000	$ 2,110,195	$ 18,195
Earned Income Taxes	2,050,000	2,325,976	275,976
Other Taxes	590,500	641,088	50,588
Licenses & Permits	236,000	236,829	829
Fines	28,100	34,486	6,386
Interest	20,000	257,971	237,971
Intergovernmental Revenues	393,000	506,607	113,607
Charges For Service	1,362,220	1,255,527	(106,693)
Special Assessments	30,000	0	(30,000)
Contributions & Donations	2,000	12,538	10,538
All Other Revenue	130,200	192,306	62,106
TOTAL REVENUES	6,934,020	7,573,523	639,503
EXPENDITURES			
General Government	567,251	601,374	(34,123)
Police	3,772,570	3,652,822	119,748
Fire	493,178	519,498	(26,320)
Code Enforcement, Planning, Zoning	197,061	162,255	34,806
Public Works -Sanitation	1,212,338	1,219,357	(7,019)
Public Works - Highway & Street	583,454	538,765	44,689
Culture & Recreation	129,597	120,457	9,140
Employer Paid Benefits - Pension	533,806	530,183	3,623
Insurance	104,592	116,321	(11,729)
All Other Expenditures	10,500	6,490	4,010
TOTAL EXPENDITURES	7,604,347	7,467,522	136,825
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(670,327)	106,001	776,328
FUND BALANCE - BEGINNING OF YEAR	5,803,344	5,803,344	0
FUND BALANCE - END OF YEAR	$ 5,133,017	$ 5,909,345	$ 776,328

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

LOWER POTTSGROVE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUNDS
December 31, 2023

	Original/ Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Interest & Rents	$ 3,100	$ 24,000	$ 20,900
Intergovernmental Revenues	332,142	336,294	4,152
Contributions & Donations	38,100	12,429	(25,671)
TOTAL REVENUES	373,342	372,723	(619)
EXPENDITURES			
Public Works - Highway & Street	504,824	363,956	140,868
Culture & Recreation	66,300	35,417	30,883
All Other Expenditures	0	128	(128)
TOTAL EXPENDITURES	571,124	399,501	171,623
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(197,782)	(26,778)	171,004
FUND BALANCES - BEGINNING OF YEAR	324,512	324,512	0
FUND BALANCES - END OF YEAR	$ 126,730	$ 297,734	$ 171,004

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

OTHER INFORMATION
(Unaudited)

LOWER POTTSGROVE TOWNSHIP
PENSION PLANS SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
December 31, 2023

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)
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%
2023	$ 7,940,165	$ 10,665,496	74.45%	$ 2,725,331	$ 2,391,899	113.94%

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)
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%
2023	$ 4,276,755	$ 5,417,652	78.94%	$ 1,140,897	$ 692,880	164.66%

Schedule of Employer Contributions

	POLICE			NON-UNIFORMED		
Fiscal Year	Annual Required Contribution	Percentage Contributed	Net Pension Obligaton (NPO)	Annual Required Contribution	Percentage Contributed	Net Pension Obligaton (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%	-
2023	$ 390,556	100%	-	$ 124,176	100%	-