



Lower Providence Township Eagleville, Pennsylvania Montgomery County

Financial Statements
Year Ended December 31, 2023



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LOWER PROVIDENCE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

**Board of Supervisors
Lower Providence Township
Eagleville, Pennsylvania**

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lower Providence Township, Eagleville, Pennsylvania, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Lower Providence Township, Eagleville, Pennsylvania's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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 Lower Providence Township, Eagleville, Pennsylvania, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Lower Providence Township Sewer Authority, which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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 Providence Township, Eagleville, Pennsylvania, and to meet our other 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 States 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 Providence Township, Eagleville, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently 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 for 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.
- 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.
- 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 Providence Township, Eagleville, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Providence Township, Eagleville, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Lower Providence Township's 2022 financial statements, and our report dated June 12, 2023, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund, the schedules of changes in net pension liability and Township pension contributions and the schedules of changes in net OPEB liability and Township OPEB contributions on pages 4 through 13 and 51 through 55 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 and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Providence Township, Eagleville, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2024, on our consideration of Lower Providence Township, Eagleville, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Providence Township, Eagleville, Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
August 7, 2024**

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

Management's discussion and analysis ("**MD&A**") of the financial performance of Lower Providence Township, Eagleville, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

The Township was established in 1805 and operates as a Township of a second class under the Township Code of Pennsylvania, which is governed by an elected five-member Board of Supervisors. The Township is located in south central Montgomery County, Pennsylvania. The Township encompasses 14.77 square miles, which includes the geographic areas of Audubon, Collegeville, Trooper, Eagleville, Yerkes, and Evansburg. From these villages has grown a community joined in a commitment to provide a safe, productive, and prosperous environment in which to reside, raise a family, and conduct business. With the City of Philadelphia situated approximately 17 miles to the east and easy access to the Pennsylvania Turnpike, Schuylkill Expressway, Interstate 476, and the Route 202 and Route 422 corridors, Lower Providence Township is strategically located for projected growth into the 21st Century.

FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets and deferred outflows of resources of the Township exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2023 fiscal year of \$23,422,155. During the 2023 fiscal year, the Township had an increase in total net position of \$2,739,904.
- As of the close of the 2023 fiscal year, the Township's governmental funds reported combined ending fund balances of \$9,760,659, an increase of \$990,790 in comparison with the prior year.
- The General Fund reported an increase in fund balance of \$1,003,443, bringing the cumulative balance to \$6,471,382 or 53.75% of total General Fund expenditures at the conclusion of the 2023 fiscal year.
- General Fund revenues and other financing sources were \$1,274,129 or 10.21% more than budgeted amounts and General Fund expenditures and other financing uses were \$219,966 or 1.70% less than budgeted amounts resulting in a net positive variance of \$1,494,095.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Township is improving or deteriorating. To assess the Township's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Township's tax base and the condition of the Township's assets.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

The Statement of Activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the Township itself (known as the primary government), but also a legally separate sewer authority for which the Township has a significant relationship. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

In the government-wide financial statements, the Township's activities are included in one category:

Governmental Activities

Most of the Township's basic services are included here, such as general administration, public safety, health and human services, public works, culture and recreation and community development.

The government-wide financial statements can be found on pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the Township's basic services are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains fifteen individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of the two major funds and the nonmajor governmental funds.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16 through 19 of this report.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

Fiduciary Funds

The Township is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are not reflected in the government-wide financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township has an Escrow Fund, Other Postemployment Benefits Trust Fund, and two pension trust funds (Police and Nonuniform).

The fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 22 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund and schedules concerning the Township's net pension liability and pension contributions and changes in its net other post-employment benefits liability and OPEB contributions, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 51 through 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2023 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$23,422,155. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2023 and 2022.

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$13,002,411	\$12,881,550
Noncurrent assets	<u>17,659,058</u>	<u>17,377,367</u>
Total assets	<u>30,661,469</u>	<u>30,258,917</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,831,567</u>	<u>3,525,549</u>
LIABILITIES		
Current liabilities	3,224,320	4,094,368
Noncurrent liabilities	<u>5,200,403</u>	<u>6,639,301</u>
Total liabilities	<u>8,424,723</u>	<u>10,733,669</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,646,158</u>	<u>2,368,546</u>
NET POSITION		
Net investment in capital assets	16,564,866	15,565,522
Restricted	3,289,277	3,301,930
Unrestricted	<u>3,568,012</u>	<u>1,814,799</u>
Total net position	<u>\$23,422,155</u>	<u>\$20,682,251</u>

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

The Township's total assets as of December 31, 2023 were \$30,661,469 of which \$11,484,108 or 37.45% consisted of unrestricted cash and investments and \$17,126,202 or 55.86% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2023 were \$8,424,723 of which \$639,054 or 7.59% consisted of general obligation debt used to acquire and construct capital assets, \$3,803,229 or 45.14% consisted of the Township's actuarially determined pension and other post-employment benefit liabilities and \$1,846,004 or 21.91% consists of unearned revenue.

The Township had unrestricted net position of \$3,568,012 at December 31, 2023. The Township's unrestricted net position increased by \$1,753,213 during 2023 primarily due to the restriction of net position for future capital purchases and the current year change in its net pension liability and related deferred outflows and inflows.

A portion of the Township's net position reflects its restricted net position which totaled \$3,289,277 as of December 31, 2023. All of the Township's restricted net position relate to the net position of the Township's special revenue, capital and debt service funds.

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2023, the Township's net investment in capital assets increased by \$999,344 due to the Township acquiring capital assets with funding other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the Township for 2023 and 2022:

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Charges for services	\$ 978,307	\$ 1,135,370
Operating grants and contributions	2,420,838	2,501,325
Capital grants and contributions	634,961	-
General revenues		
Taxes	13,047,053	12,850,992
Franchise fees	414,336	433,161
Investment earnings	494,164	186,310
Gain on sale of capital assets	<u>38,254</u>	<u>402</u>
Total revenues	<u>18,027,913</u>	<u>17,107,560</u>
EXPENSES		
General government	2,339,671	2,700,710
Public safety	9,535,423	9,170,160
Health and human services	5,500	5,500
Public works	2,123,647	2,957,611
Culture and recreation	1,259,187	1,604,840
Community development	8,672	4,403
Interest and amortization expense related to noncurrent liabilities	<u>15,909</u>	<u>26,802</u>
Total expenses	<u>15,228,009</u>	<u>16,470,026</u>
CHANGE IN NET POSITION	<u>\$ 2,739,904</u>	<u>\$ 637,534</u>

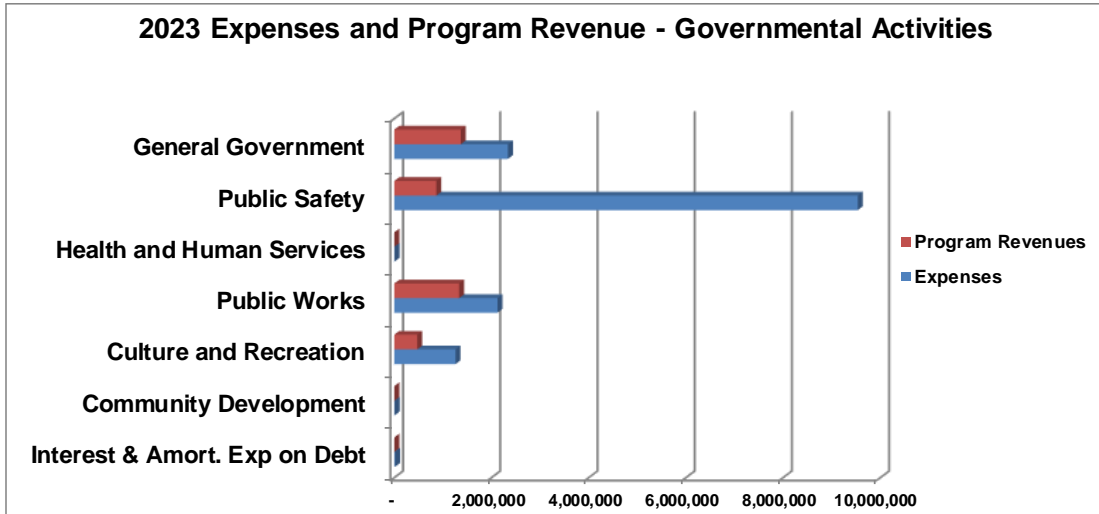
Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and residential and commercial development and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Township continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

LOWER PROVIDENCE TOWNSHIP

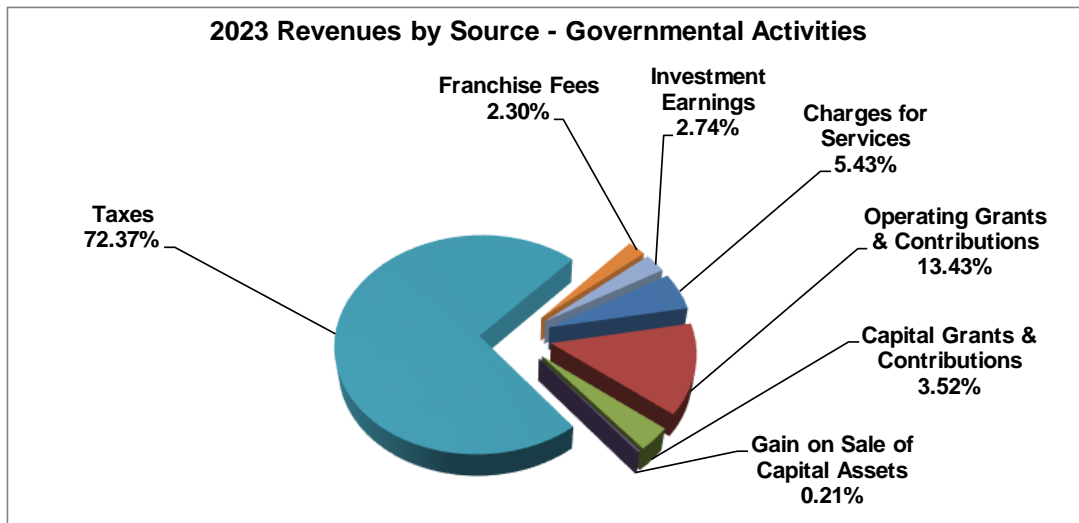
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

The *Statement of Activities* provides detail that focuses on how the Township finances its services. The *Statement of Activities* compares the costs of the Township functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the Township's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the Township's functions or programs cost more than they raise, the Statement of Activities shows how the Township chose to finance the difference through general revenues. The following chart shows that the Township relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2023, the Township's governmental funds reported a combined fund balance of \$9,760,659 which is an increase of \$990,790 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2023 and 2022 and the total 2023 change in governmental fund balances.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

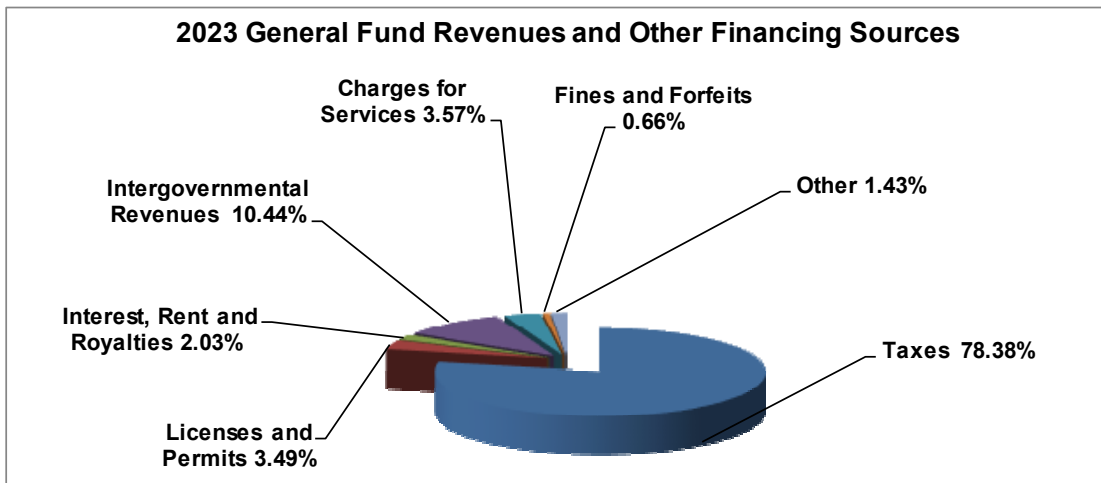
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>
General Fund	\$6,471,382	\$5,467,939	\$1,003,443
Highway Improvement Capital Reserve Fund	-	-	-
Nonmajor Governmental Funds	<u>3,289,277</u>	<u>3,301,930</u>	<u>(12,653)</u>
	<u>\$9,760,659</u>	<u>\$8,769,869</u>	<u>\$ 990,790</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2023 fiscal year the General Fund fund balance was \$6,471,382 representing an increase of \$1,003,443 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2023 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 78.38% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$10,782,454	\$10,532,150	\$ 250,304	2.38
Licenses and permits	479,414	511,052	(31,638)	(6.19)
Interest, rents and royalties	279,635	66,983	212,652	317.47
Intergovernmental revenues	1,436,042	1,226,529	209,513	17.08
Charges for services	491,122	645,651	(154,529)	(23.93)
Fines and forfeits	90,444	88,082	2,362	2.68
Other	<u>197,025</u>	<u>130,568</u>	<u>66,457</u>	<u>50.90</u>
	<u>\$13,756,136</u>	<u>\$13,201,015</u>	<u>\$ 555,121</u>	<u>4.21</u>

Taxes increased by \$250,304, or 2.38%, in 2023 when compared to 2022 primarily due to an increase in the general purpose millage rate from 1,2855 mills to 1.5973 mills and an increase in the collection of earned income taxes offset by a decrease in realty transfer tax collections. .

Interest income increased by \$212,652, or 317.47%, due to increases in interest rates and the amount of deposits on hand during the year.

Intergovernmental revenues increased by \$209,513, or 17.08%, primarily due to a one-time police capital grant of \$109,000 and an increase in the state pension aid allocation of \$81,000.

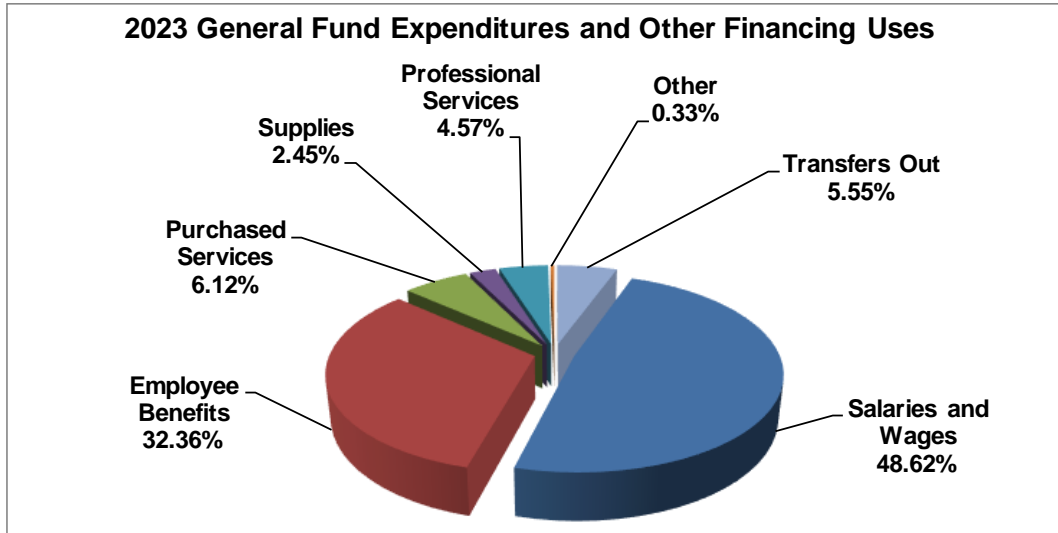
LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

Charges for services decrease by \$154,529 or 23.93% in 2023 when compared to 2022 due to a decrease and in building and related permits.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The Township is a service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 6,200,163	\$ 5,804,864	\$ 395,299	6.81
Employee benefits	4,126,635	3,794,701	331,934	8.75
Purchased services	780,695	679,723	100,972	14.85
Supplies	312,185	365,668	(53,483)	(14.63)
Professional services	582,171	531,307	50,864	9.57
Other	42,107	44,247	(2,140)	(4.84)
Transfers out	<u>708,736</u>	<u>2,191,540</u>	<u>(1,482,804)</u>	<u>(67.66)</u>
	<u>\$12,752,692</u>	<u>\$13,412,050</u>	<u>\$ (659,358)</u>	<u>(4.92)</u>

Salaries and wages increased by \$395,299, or 6.81%, primarily as a result of staffing replacements, increased staffing, retirements resulting in paid time off payouts, and salary increases coupled with increases contractually obligated through the Township's two collective bargaining agreements.

Employee benefits increased by \$331,934, or 8.75%, due to increased staffing and increased health insurance premiums.

Transfers out decreased by \$1,482,804, or 67.66%, due to significant transfers in 2022 to non-major governmental funds, including the Capital Projects Fund, the Municipal Complex Fund, and the Stormwater Fund for future projects.

HIGHWAY IMPROVEMENT CAPITAL RESERVE FUND

The Highway Improvement Capital Reserve Fund accounts for revenues generated from traffic impact fees as established by Township ordinance for the purpose of serving future transportation needs of the Township. Impact fees are deferred or held in deposit until services are provided.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue funds, capital projects funds and a debt service fund. Special revenue funds are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes. The nonmajor special revenue funds include the Library Fund, the Parks and Recreation Operating Fund, the Highway Aid Fund, Emergency Services Fund and the Tree Fund. The nonmajor capital projects funds include the Liquid Fuels Funded Loans Fund, Parks and Recreation Capital Reserve Fund, West End Capital Improvements Fund, Sidewalk Fund, Stormwater Fund, Capital Projects Fund and Municipal Complex Fund. Major revenue sources for these funds include taxes, intergovernmental revenues, charges for services, and transfers from the General Fund. During 2023, the Nonmajor Governmental Funds fund balance decreased by \$12,653 for a cumulative balance of \$3,289,277 as of December 31, 2023. Of the cumulative fund balance at December 31, 2023, \$226,074 is restricted for the Highway Aid Fund. The Highway Aid Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department. Also, within the nonmajor governmental funds the Debt Service Fund fund balance of \$211,177 is restricted for debt service and the Capital Projects Fund fund balance of \$618,611 and Municipal Complex Fund fund balance of \$1,002,460 are committed for capital purchases as of December 31, 2023. More detailed information regarding the nonmajor governmental funds can be found in the combining and individual fund financial statements on pages 56 and 57.

GENERAL FUND BUDGET INFORMATION

The Township maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Township budgets and expends funds according to procedures mandated by Township code of the Commonwealth of Pennsylvania. An annual operating budget is prepared by management and submitted to the Board of Supervisors for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

General Fund revenues and other financing sources were \$1,274,129 or 10.21% more than budgeted amounts and General Fund expenditures and other financing uses were \$219,966 or 1.70% less than budgeted amounts resulting in a net positive variance of \$1,494,095. Revenues and other financing sources were over budget primarily due to real estate transfer taxes, earned income taxes, interest rents and royalties and intergovernmental revenues offset by charges for services being less than budget. Intergovernmental revenues includes the unbudgeted revenue recognition of American Rescue Plan Act ("**ARPA**") funding. Interest, rent and royalties were more than budget due to the unanticipated increase in interest rates. Changes for services were less than budget due to the less than anticipated collection for building and related permits. Expenditures were \$485,725 less than budgeted primarily within the general government and public safety functions, but other financing uses were \$265,759 more than budgeted mainly due to unbudgeted transfers of ARPA funding to nonmajor governmental funds.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on page 51. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

CAPITAL ASSETS

The Township's investment in capital assets as of December 31, 2023 amounted to \$17,126,202, net of accumulated depreciation. This investment in capital assets includes land, land improvements, infrastructure, buildings, and machinery and equipment. The total net increase in the Township's investment in capital assets for 2023 was \$360,290 or 2.15%. The increase was the result of the current year capital additions in excess of depreciation.

Current year capital additions were \$1,386,874 and depreciation expense was \$1,026,584.

Major capital additions for the current fiscal year included: Road , stormwater and bridge projects \$673,127; 3 police vehicles \$149,148, and a public works vehicle with accessories \$148,116.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

NONCURRENT LIABILITIES

As of December 31, 2023, the Township had total general obligation debt of \$639,054 consisting entirely of notes payable. The entire amount is backed by the full faith and credit of the Township. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Township's general obligation debt for the current fiscal year was \$561,336 or 46.76%.

The Township reports its defined benefit pension liability and its net liability for post-employment benefits on its statement of position. The Township's net pension liability and net liability for post-employment benefits are actuarially determined liabilities that totaled \$3,803,229 as of December 31, 2023 and decreased by \$996,895 or 20.77% compared to the prior year.

Other noncurrent liabilities consist of the Township's liability for compensated absences which totaled \$758,120 as of December 31, 2023 and increased by \$119,333 or 18.68%.

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

Lower Providence Township, Montgomery County, Pennsylvania, is roughly 14.77 square miles and contains a population of approximately 25,600. The Township is located along several major transportation corridors, which include U.S. Route 422, U.S. Route 363, and Ridge Pike. One of Montgomery County's largest business parks, Park Pointe at Lower Providence Business Park (formerly Valley Forge Corporate Center) is located in the Township with over 4,500 individuals working in this Business Park.

The Township continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.

New real estate assessments have remained relatively stagnant for the past 10 years and the Township has not experienced any natural increases in real estate tax growth. The Townships assessment went from \$1,683,350,866 in 2023 to \$1,688,480,916 in 2024, an increase of only \$5,130,050, or less than 1% of total assessment.

To adopt a balanced 2024 General Fund budget totaling \$13,856,817, the real estate tax millage rate for general purposes was increased from 1.5973 mills to 2.1104 mills.

Collection of the earned income tax (EIT) is a good indicator of local economic conditions. For 2023, the Township's collection of this tax was \$6,897,524, an increase of \$127,855 or 1.89% from the prior year. While EIT collections have been strong for the last several years, the repeated increases are not expected to continue. It's also worth noting that the EIT makes up more than 50% of General Fund revenue. This over-reliance on one revenue source could lead to the need for cutbacks or large property tax increases in the event of an economic downturn.

The Township has received a total allocation of ARPA funding totaling approximately \$2.8 million. The Township will spend the appropriations based on guidelines from the Federal government. The Township has placed the money in a designated fund created specifically for this purpose so that it is not commingled with other general operating funds.

The financial and economic indicators for the Township continue to be moderately conservative for 2024. A five-year capital budget has been developed to address road, infrastructure, and equipment needs. Roads have been identified and prioritized for resurfacing for the next five years as part of the five-year budget. Furthermore, the five-year capital budget identifies the Township's vehicle and technology replacement needs and individual departmental schedules have been identified. In each case, the five-year capital budget provides direct appropriation or financing to fund the capital needs. In an effort to jump start the five-year capital improvement plan, the Board of Supervisors elected to budget approximately \$950,000 of the American Rescue Plan Act allocation towards capital improvements. These capital improvements include \$10,000 in technology for the library, \$61,000 in technology upgrades to the Municipal Building, \$510,000 for the replacement of worn public works vehicles and equipment, \$100,000 for emergency management equipment, \$18,000 for license plate readers, and \$250,000 in stormwater related projects.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

To further advance the Township's financial position, the Township Supervisors adopted a Fund Balance policy that established a minimum unassigned fund balance of 3 months or 25% of the Township's budgeted expenditures. This fund balance policy closely aligns with the Government Finance Officers Association's recommended fund balance levels. This policy is expected to broaden in the upcoming fiscal year to include some non-major governmental funds.

As in the past, the Township must aggressively manage all respective funds exploring all avenues for third-party funding, grants, appropriations, and sponsorships to ensure that the Township is in an excellent financial position thereby maintaining our AA (Standard and Poor's) and Aa2 (Moody's) bond ratings.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager, Lower Providence Township, 100 Parklane Drive, Eagleville, PA 19403.

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2023 with summarized comparative totals for 2022

	<u>2023</u>	<u>2022</u>	<u>Component Unit 2023</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash	\$ 9,246,532	\$ 8,514,483	\$ 1,449,003
Restricted cash	1,062,226	1,113,779	-
Investments	2,237,576	2,817,671	4,750,253
Taxes receivable	147,509	177,540	-
Accounts receivable	293,827	237,216	1,248,363
Other current assets	14,741	20,861	3,737
Total current assets	<u>13,002,411</u>	<u>12,881,550</u>	<u>7,451,356</u>
NONCURRENT ASSETS			
Lease receivable	532,856	611,455	-
Capital assets, net	<u>17,126,202</u>	<u>16,765,912</u>	<u>22,690,124</u>
Total noncurrent assets	<u>17,659,058</u>	<u>17,377,367</u>	<u>22,690,124</u>
Total assets	<u>30,661,469</u>	<u>30,258,917</u>	<u>30,141,480</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges - OPEB	1,043,539	363,401	-
Deferred charges - pensions	<u>1,788,028</u>	<u>3,162,148</u>	<u>211,153</u>
Total deferred outflows of resources	<u>2,831,567</u>	<u>3,525,549</u>	<u>211,153</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	147,362	188,694	456,166
Accrued salaries and benefits	168,728	143,922	-
Escrow deposits	1,062,226	1,113,779	-
Unearned revenue	<u>1,846,004</u>	<u>2,647,973</u>	<u>-</u>
Total current liabilities	<u>3,224,320</u>	<u>4,094,368</u>	<u>456,166</u>
NONCURRENT LIABILITIES			
Due within one year	496,333	568,336	301,000
Due in more than one year	<u>4,704,070</u>	<u>6,070,965</u>	<u>9,775,078</u>
Total noncurrent liabilities	<u>5,200,403</u>	<u>6,639,301</u>	<u>10,076,078</u>
Total liabilities	<u>8,424,723</u>	<u>10,733,669</u>	<u>10,532,244</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leases receivable	532,856	611,455	-
Deferred credits - OPEB	388,028	439,478	-
Deferred credits - pensions	<u>725,274</u>	<u>1,317,613</u>	<u>74,360</u>
Total deferred inflows of resources	<u>1,646,158</u>	<u>2,368,546</u>	<u>74,360</u>
NET POSITION			
Net investment in capital assets	16,564,866	15,565,522	13,739,124
Restricted	3,289,277	3,301,930	750,000
Unrestricted (deficit)	<u>3,568,012</u>	<u>1,814,799</u>	<u>5,256,905</u>
Total net position	<u>\$23,422,155</u>	<u>\$20,682,251</u>	<u>\$19,746,029</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2023 with summarized comparative totals for 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Totals</u>		<u>Component Unit</u>
					<u>2023</u>	<u>2022</u>	<u>2023</u>
GOVERNMENTAL ACTIVITIES							
General government	\$ 2,339,671	\$ 124,213	\$1,243,988	\$ -	\$ (971,470)	\$ (1,435,413)	\$ -
Public safety	9,535,423	512,162	213,573	137,098	(8,672,590)	(8,282,947)	-
Health and human services	5,500	-	-	-	(5,500)	(5,500)	-
Public works	2,123,647	10,269	824,210	497,863	(791,305)	(2,139,491)	-
Culture and recreation	1,259,187	331,663	139,067	-	(788,457)	(1,051,683)	-
Community development	8,672	-	-	-	(8,672)	(4,403)	-
Interest expense related to noncurrent liabilities	15,909	-	-	-	(15,909)	86,106	-
Total governmental activities	<u>\$15,288,009</u>	<u>\$ 978,307</u>	<u>\$2,420,838</u>	<u>\$634,961</u>	<u>(11,253,903)</u>	<u>(12,833,331)</u>	<u>-</u>
Total primary government	<u>\$15,288,009</u>	<u>\$ 978,307</u>	<u>\$2,420,838</u>	<u>\$634,961</u>	<u>(11,253,903)</u>	<u>(12,833,331)</u>	<u>-</u>
COMPONENT UNIT							
Sewer authority	<u>\$ 5,051,058</u>	<u>\$4,311,058</u>	<u>\$ -</u>	<u>\$ 56,616</u>	<u>-</u>	<u>-</u>	<u>(683,384)</u>
GENERAL REVENUES							
Taxes							
Real estate taxes					4,914,404	4,608,375	-
Earned income taxes					6,897,524	6,769,669	-
Real estate transfer taxes					625,578	908,593	-
Local services taxes					577,705	539,532	-
Per capita taxes					1,858	2,700	-
Amusement taxes					29,984	22,123	-
Franchise fees					414,336	433,161	-
Investment earnings					494,164	186,310	336,118
Gain on sale of capital assets					38,254	402	-
Total general revenues					<u>13,993,807</u>	<u>13,470,865</u>	<u>336,118</u>
CHANGE IN NET POSITION					2,739,904	637,534	(347,266)
NET POSITION							
Beginning of year					<u>20,682,251</u>	<u>20,044,717</u>	<u>20,093,295</u>
End of year					<u>\$ 23,422,155</u>	<u>\$ 20,682,251</u>	<u>\$19,746,029</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2023 with summarized comparative totals for 2022

	Major Funds			Totals	
	General	Highway Improvement Capital Reserve	Nonmajor Governmental	2023	2022
	Fund	Fund	Funds		
ASSETS					
Cash	\$ 4,946,061	\$ 992,122	\$ 3,308,349	\$ 9,246,532	\$ 8,514,483
Restricted cash	-	1,062,226	-	1,062,226	1,113,779
Investments	2,237,576	-	-	2,237,576	2,817,671
Taxes receivable	115,024	-	32,485	147,509	177,540
Accounts receivable	157,902	135,925	-	293,827	237,216
Lease receivable	-	-	532,856	532,856	611,455
Due from other funds	-	-	-	-	15,381
Prepaid items	2,637	-	12,104	14,741	20,861
Total assets	\$ 7,459,200	\$ 2,190,273	\$ 3,885,794	\$ 13,535,267	\$ 13,508,386
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 83,399	\$ 8,485	\$ 55,478	\$ 147,362	\$ 188,694
Accrued salaries and benefits	160,545	-	8,183	168,728	143,922
Due to other funds	-	-	-	-	15,381
Unearned revenue	726,442	1,119,562	-	1,846,004	2,647,973
Escrow deposits	-	1,062,226	-	1,062,226	1,113,779
Total liabilities	970,386	2,190,273	63,661	3,224,320	4,109,749
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from lease receivable	-	-	532,856	532,856	611,455
Unavailable revenues - property taxes	17,432	-	-	17,432	17,313
Total deferred inflows	17,432	-	532,856	550,288	628,768
FUND BALANCES					
Nonspendable					
Prepaid items	2,637	-	12,104	14,741	20,861
Restricted for					
Debt service	-	-	211,177	211,177	145,615
Public works - roads	-	-	226,074	226,074	260,042
Committed for					
Capital purchases	-	-	2,154,993	2,154,993	2,190,100
Public safety	-	-	84,390	84,390	124,283
Culture and recreation	-	-	599,375	599,375	579,399
Assigned for					
Capital purchases	-	-	1,164	1,164	772
Unassigned	6,468,745	-	-	6,468,745	5,448,797
Total fund balances	6,471,382	-	3,289,277	9,760,659	8,769,869
Total liabilities, deferred inflows of resources and fund balances	\$ 7,459,200	\$ 2,190,273	\$ 3,885,794	\$ 13,535,267	\$ 13,508,386

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

December 31, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 9,760,659
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	17,126,202
Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	17,432
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	1,718,265
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(5,200,403)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 23,422,155</u>

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2023 with summarized comparative totals for 2022

	Major Funds			Totals	
	General Fund	Highway Improvement Capital Reserve Fund	Nonmajor Governmental Funds	2023	2022
REVENUES					
Taxes	\$10,782,454	\$ -	\$2,264,260	\$13,046,714	\$12,851,624
Licenses and permits	479,414	-		479,414	511,052
Fines and forfeits	90,444	-		90,444	88,082
Interest, rent and royalties	279,635	-	214,530	494,165	186,310
Intergovernmental revenues	1,436,042	497,863	977,528	2,911,433	2,267,208
Charges for services	491,122	-	328,091	819,213	967,442
Miscellaneous	187,158	107,574	38,488	333,220	440,992
Total revenues	<u>13,746,269</u>	<u>605,437</u>	<u>3,822,897</u>	<u>18,174,603</u>	<u>17,312,710</u>
EXPENDITURES					
Current					
General government	2,313,256	-	183,214	2,496,470	2,046,304
Public safety	8,035,072	-	1,368,674	9,403,746	8,799,178
Health and human services	13,500	-		13,500	8,500
Public works - sanitation	7,500	-		7,500	9,792
Public works - highways and streets	1,601,313	605,437	988,937	3,195,687	2,887,008
Public works - other services	50,640	-		50,640	21,313
Culture and recreation	-	-	1,449,880	1,449,880	1,312,796
Community development	3,751	-		3,751.00	9,186
Miscellaneous	14,081	-		14,081	7,758
Debt service	-	-	577,245	577,245	763,158
Total expenditures	<u>12,039,113</u>	<u>605,437</u>	<u>4,567,950</u>	<u>17,212,500</u>	<u>15,864,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,707,156</u>	<u>-</u>	<u>(745,053)</u>	<u>962,103</u>	<u>1,447,717</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	202	-	38,048	38,250	402
Refund of prior year receipts	(4,844)	-		(4,844)	(22,507)
Refund of prior year expenditures	9,665	-	(14,384)	(4,719)	(30,492)
Transfers in	-	-	886,883	886,883	2,419,133
Transfers out	(708,736)	-	(178,147)	(886,883)	(2,419,133)
Total other financing sources (uses)	<u>(703,713)</u>	<u>-</u>	<u>732,400</u>	<u>28,687</u>	<u>(52,597)</u>
NET CHANGE IN FUND BALANCES	1,003,443	-	(12,653)	990,790	1,395,120
FUND BALANCES					
Beginning of year	<u>5,467,939</u>	<u>-</u>	<u>3,301,930</u>	<u>8,769,869</u>	<u>7,374,749</u>
End of year	<u>\$ 6,471,382</u>	<u>\$ -</u>	<u>\$3,289,277</u>	<u>\$ 9,760,659</u>	<u>\$ 8,769,869</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended December 31, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 990,790

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 1,386,874	
Depreciation expense	<u>(1,026,584)</u>	360,290

Because some tax will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources December 31, 2022	(17,313)	
Deferred inflows of resources December 31, 2023	<u>17,432</u>	119

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of notes payable		561,336
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Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences	(119,333)	
Change in net OPEB liability and related deferred inflows and outflows	(147,272)	
Change in net pension liability and related deferred inflows and outflows	<u>1,093,974</u>	<u>827,369</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,739,904**

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2023 with summarized comparative totals for 2022

	<u>Custodial Escrow Fund</u>	<u>Other Postemployment Benefits Trust Fund</u>	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Totals</u>	
					<u>2023</u>	<u>2022</u>
ASSETS						
Cash	\$ 242,109	\$ 16,585	\$ 690,234	\$ 188,188	\$ 1,137,116	\$ 1,156,806
Investments, restricted		1,617,590	21,796,425	5,970,137	29,384,152	25,867,397
Other receivables	55,428	-	11,277	916	67,621	55,541
Internal balances	-	-	-	-	-	-
Prepaid benefits	-	-	101,240	32,798	134,038	121,891
Total assets	<u>297,537</u>	<u>1,634,175</u>	<u>22,599,176</u>	<u>6,192,039</u>	<u>30,722,927</u>	<u>27,201,635</u>
LIABILITIES						
Deposits	7,468	-	-	-	7,468	12,514
Accounts payable	-	-	3,925	-	3,925	11,669
Total liabilities	<u>7,468</u>	<u>-</u>	<u>3,925</u>	<u>-</u>	<u>11,393</u>	<u>24,183</u>
NET POSITION						
Restricted for						
Assets held in trust for pension and other post-employment benefits	-	1,634,175	22,595,251	6,192,039	30,421,465	26,297,606
Developers	290,069	-	-	-	290,069	879,846
Total net position	<u>\$ 290,069</u>	<u>\$ 1,634,175</u>	<u>\$ 22,595,251</u>	<u>\$ 6,192,039</u>	<u>\$ 30,711,534</u>	<u>\$ 27,177,452</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2023 with summarized comparative totals for 2022

	<u>Custodial</u>	<u>Other</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Totals</u>	
	<u>Escrow</u> <u>Fund</u>	<u>Postemployment</u> <u>Benefits</u> <u>Trust Fund</u>	<u>Pension</u> <u>Fund</u>	<u>Pension</u> <u>Fund</u>	<u>2023</u>	<u>2022</u>
ADDITIONS						
Contributions						
Employer contributions	\$ -	\$ 105,192	\$ 1,200,533	\$ 59,722	\$ 1,365,447	\$ 1,398,670
Member contributions	-	-	155,768	6,663	162,431	155,122
Escrow receipts	<u>347,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,526</u>	<u>280,532</u>
Total contributions	<u>347,526</u>	<u>105,192</u>	<u>1,356,301</u>	<u>66,385</u>	<u>1,875,404</u>	<u>1,834,324</u>
Investment income (loss)						
Investment income	-	38,501	501,573	153,269	693,343	604,141
Net increase (decrease) in fair value of investments	<u>-</u>	<u>197,496</u>	<u>2,748,521</u>	<u>765,484</u>	<u>3,711,501</u>	<u>(5,448,328)</u>
Total investment income (loss)	<u>-</u>	<u>235,997</u>	<u>3,250,094</u>	<u>918,753</u>	<u>4,404,844</u>	<u>(4,844,187)</u>
Total additions	<u>347,526</u>	<u>341,189</u>	<u>4,606,395</u>	<u>985,138</u>	<u>6,280,248</u>	<u>(3,009,863)</u>
DEDUCTIONS						
Benefits and insurance premiums paid	-	165,076	1,111,995	395,978	1,673,049	1,938,286
Escrow disbursements	937,303	-	-	-	937,303	253,321
Administrative expenses	<u>-</u>	<u>9,126</u>	<u>90,350</u>	<u>36,338</u>	<u>135,814</u>	<u>116,106</u>
Total deductions	<u>937,303</u>	<u>174,202</u>	<u>1,202,345</u>	<u>432,316</u>	<u>2,746,166</u>	<u>2,307,713</u>
CHANGE IN NET POSITION	(589,777)	166,987	3,404,050	552,822	3,534,082	(5,317,576)
NET POSITION						
Beginning of year	<u>879,846</u>	<u>1,467,188</u>	<u>19,191,201</u>	<u>5,639,217</u>	<u>27,177,452</u>	<u>32,495,028</u>
End of year	<u>\$290,069</u>	<u>\$1,634,175</u>	<u>\$22,595,251</u>	<u>\$6,192,039</u>	<u>\$30,711,534</u>	<u>\$27,177,452</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Providence Township (the "**Township**"), Montgomery County, Pennsylvania, was established in 1805 and operates as a Township of a second class under the Township code of the Commonwealth of Pennsylvania. The Township is governed by an elected five-member Board of Supervisors and provides the following services: general government; public safety - police, fire, ambulance, codes and planning and zoning; public works – sanitation and highways and streets; culture and recreation and community development.

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the following component units are required to be included in the Township's reporting entity.

Discretely Presented Component Unit

Lower Providence Township Sewer Authority (the "**Sewer Authority**") is a component unit of the Township. The Sewer Authority is a public corporation formed on January 30, 1962, under the Municipal Authorities Act of 1945. The Authority has constructed and operates a sewage collection system in the Township that connects with a sewage treatment plant operated by the Lower Perkiomen Valley Regional Sewer Authority. The Sewer Authority is administered by a five-member board appointed by the Township Board of Supervisors. The Township considers inclusion of the Sewer Authority's financial information important to the overall presentation of the financial statements. The year end of the Sewer Authority is June 30. The Sewer Authority issues separate audited financial statements which are available to the public through the Township office.

Blended Component Units

The Police Pension Plan and Nonuniform Pension Plan are single employer defined benefit pension plans that provide pension benefits for all regular full-time employees. The Other Post-Employment Benefits Plan is a single employer plan that provides post-retirement medical benefits to regular full-time police officers. Although the Police Pension Plan, the Nonuniform Pension Plan and the Other Post-Employment Benefits Plan are separate legal entities, they are reported as if they are part of the Township as they are governed by a board comprised of members appointed by the Board of Supervisors or by the Board of Supervisors themselves and the Township is responsible for funding the Police Pension Plan, Nonuniform Pension Plan and the Other Post-Employment Benefits Plan. The activities of the Police Pension Plan, Nonuniform Pension Plan and the Other Post-Employment Benefits Plan are blended as fiduciary funds and do not issue separate financial statements.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township and Sewer Authority as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the Township and Sewer Authority which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Township and Sewer Authority is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the Township and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Township. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays which include the acquisition or construction of capital facilities and other capital assets, including those financed by general obligation bond proceeds. The reporting entity includes the following Capital Project Fund, which is reported as a major fund:

The Highway Improvement Capital Reserve Fund is used to account for revenues generated from traffic impact fees as established by Township Ordinance for the purpose of servicing future transportation needs of the Township.

In addition, the Township reports the following nonmajor governmental funds:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and other related costs.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Additional Capital Projects Funds are used to account for equipment replacement, capital purchases and improvements for the Township's parks and recreation facilities, repayment of debt principal and interest for liquid fuels funded loans, sidewalk, stormwater, West End and municipal complex capital improvements.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Township expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. The Township has three trust funds, consisting of a Police Pension Fund, a Nonuniform Pension Fund and an other postemployment benefits fund. Custodial funds held by the Township are used to account for assets held on behalf of individuals and/or other governmental units. The Township has one custodial fund consisting of an escrow fund.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded cost.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Township. Unobservable inputs reflect the Township's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Township has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Township's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Taxes

Property taxes are levied on March 1 and are payable in the following periods:

March 1 – April 30	- Discount period, 2% of gross levy
May 1 – June 30	- Face period
July 1 to collection	- Penalty period, 10% of gross levy
December 31	- Lien date

The Montgomery County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the elected Township Tax Collector. The tax on real estate for fiscal 2023 was 2.9593 mills (\$2.9593 for \$1,000 of assessed valuation), consisting of 1.5973 mills for general purposes, 0.345 mills for library, 0.500 mills for emergency services, 0.276 mills for debt service and 0.241 mills for parks and recreation. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for property taxes receivable.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Other taxes levied in 2023 consisted of the following:

Real estate transfer tax	-	0.50% of gross sales price
Earned income tax	-	0.50% for general purposes
Local services tax	-	\$1.00 per week [max of \$52.00 per year split between the Township (\$47.00) and Methacton School District (\$5.00)]
Amusement tax	-	5% of gross receipts

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 10-40 years, infrastructure – 5-40 years, and furniture, machinery and equipment – 3-20 years.

The Sewer Authority capital assets are depreciated using the straight-line method over the following estimated useful lives: sewer system – 15-40 years, land and garage building – 10-30 years, and equipment and office furniture – 5-10 years. Capital contributions consist of sewer system developer dedications, government grants, and connection fees collected from property owners.

Leases – Lessor

The Township is a lessor for a noncancellable lease of land. The Township recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Township initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Township determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Township uses its estimated incremental borrowing rate as the discount rate for leases.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township and Sewer Authority. No impairment losses were recognized in the year ended December 31, 2023.

Compensated Absences

Township policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirement.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources and uses. Notes payable are reported net of the applicable premium or discount. Premiums and discounts are deferred and amortized over the life of the notes. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Township reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Board of Supervisors. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes those constraints by taking the same type of formal action (e.g., resolution).

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Assigned

Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Township Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the Township has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Minimum Fund Balance Policy

The Township will strive to maintain in its General Fund balance, a reserve of 25% of next year's operating budget (the "***operating reserve***"). The operating reserve is intended to be a reserve for unexpected events that impact the operating budget, such as failure of the state to remit revenues to the Township, unexpected mandates, unexpected loss of state shared revenues, continuance of critical Township services due to unanticipated events or to offset the unexpected loss of a significant funding source for the remainder of the fiscal year.

If, at any time, should the General Fund balance fall below 25% of yearly expenditures, a plan of action must be developed by management and presented to the Board of Supervisors.

Funds in excess of the operating reserve described above may be considered to supplement capital outlay and one-time operating expenditures, or may be used to prepay existing Township debt. Excess funds may not be used to establish or support costs that are recurring in nature.

Any use of the operating reserve funds in the General Fund, must be approved by the Board of Supervisors and include a repayment plan that strives to restore the Operating Reserve to the 25% of the next year's operating budget level within two fiscal years following the fiscal year in which the event occurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Implementation of New Accounting Pronouncements

Effective January 1, 2023, the Township adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*".

The objective of GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 had no impact on the financial statements of the Township for the year ended December 31, 2023.

The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 had no impact on the financial statements of the Township for the year ended December 31, 2023.

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the Township for the year ended December 31, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the Township for the year ended December 31, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Township code of the Commonwealth of Pennsylvania requires that an annual budget for all funds be adopted no later than December 31 for the succeeding fiscal year beginning January 1. The Township is required to publish notice by advertisement at least once in one newspaper of general circulation in the Township, and within 20 days of final action, that the budget has been prepared and is available for public inspection at the Township offices. Notice that public hearings will be held on the proposed budget must be included in the advertisement.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

The Township is legally required to maintain budgetary controls at the major function level. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and include the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the Township to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2023, the carrying amount of the Township's deposits was \$11,445,874 and the bank balance was \$11,998,569. Of the bank balance, \$500,000 was covered by federal depository insurance and \$9,732,313 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Township are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2023, PLGIT was rated AAA by a nationally recognized statistical rating agency.

Investments

As of December 31, 2023, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Exchange-traded and mutual funds (Pension and OPEB funds)	\$29,384,152
Certificates of deposit (General Fund)	<u>2,237,576</u>
Total	<u>\$31,621,728</u>

Exchange-traded and mutual funds are valued using Level 1 inputs.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township's pension trust funds consist of uninsured, unregistered investments held by a counterparty's trust department but not in the Township's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2023, the fixed income exchange-traded mutual funds are considered to be exposed to interest rate risk.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits its type of investments permitted as defined in the state statutes. The Township has no investments subject to credit risk as of December 31, 2023.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of December 31, 2023, the Township had no investments subject to concentration of credit risk.

Discretely Presented Component Unit

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Sewer Authority is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At June 30, 2023, the carrying amount of the Sewer Authority's deposits was \$1,449,003 and the bank balance was \$1,006,133. Of the bank balance, the entire balance was covered by federal depository insurance.

Investments

As of June 30, 2023, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Money market	\$4,000,253
Certificates of deposit	<u>750,000</u>
Total	<u>\$4,750,253</u>

Money market accounts are valued using Level 1 inputs.

Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Sewer Authority had no investments subject to custodial credit risk as of June 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Sewer Authority had no investments subject to interest rate risk as of June 30, 2023.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Sewer Authority limits its type of investments permitted as defined in the state statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2023, the Sewer Authority had no investments subject to concentration of credit risk.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(4) CAPITAL ASSETS

The Township's capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2023</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 10,665,637	\$ -	\$ -	\$ 10,665,637
Capital assets being depreciated				
Land improvements	1,120,019	-	-	1,120,019
Infrastructure	10,766,991	673,127	-	11,440,118
Buildings	4,721,725	14,568	-	4,736,293
Furniture, machinery and equipment	4,766,401	699,179	-	5,465,580
Total capital assets being depreciated	<u>21,375,136</u>	<u>1,386,874</u>	<u>-</u>	<u>22,762,010</u>
Less accumulated depreciation for				
Land improvements	(911,994)	-	-	(911,994)
Infrastructure	(8,042,943)	(571,177)	-	(8,614,120)
Buildings	(2,464,561)	(91,551)	-	(2,556,202)
Furniture, machinery and equipment	(3,855,273)	(363,856)	-	(4,219,129)
Total accumulated depreciation	<u>(15,274,861)</u>	<u>(1,026,584)</u>	<u>-</u>	<u>(16,301,445)</u>
Total capital assets being depreciated, net	<u>6,100,275</u>	<u>360,290</u>	<u>-</u>	<u>6,460,565</u>
Governmental activities, net	<u>\$ 16,765,912</u>	<u>\$ 360,290</u>	<u>\$ -</u>	<u>\$ 17,126,202</u>

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental activities	
General government	\$ 163,479
Public safety	579,439
Public works	193,971
Culture and recreation	89,695
Total depreciation expense - governmental activities	<u>\$ 1,026,584</u>

Discretely Presented Component Unit

The Sewer Authority's capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Construction in progress	3,344,076	3,217,617	(6,561,693)	-
Total capital assets not being depreciated	<u>3,347,576</u>	<u>3,217,617</u>	<u>(6,561,693)</u>	<u>-</u>
Capital assets being depreciated				
Sewer system	36,948,084	6,715,381	-	43,663,466
Garage building	284,004	-	-	284,004
Furniture, machinery and equipment	454,646	4,238	-	458,884
Total capital assets being depreciated	<u>37,686,735</u>	<u>6,719,619</u>	<u>-</u>	<u>44,406,354</u>
Less: accumulated depreciation	<u>(20,642,707)</u>	<u>(1,077,023)</u>	<u>-</u>	<u>(21,719,730)</u>
Total capital assets being depreciated, net	<u>17,044,028</u>	<u>5,642,596</u>	<u>-</u>	<u>22,686,624</u>
Total capital assets, net	<u>\$ 20,391,604</u>	<u>\$ 8,860,213</u>	<u>\$(6,561,693)</u>	<u>\$ 22,690,124</u>

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(5) INTERNAL TRANSFERS

A summary of interfund transfers for the year ended December 31, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$178,147	Nonmajor Governmental Funds	\$178,147
Nonmajor Governmental Funds	<u>708,736</u>	General Fund	<u>708,736</u>
	<u>\$886,883</u>		<u>\$886,883</u>

Transfers from the General Fund to the Nonmajor Governmental Funds represent funds appropriated for future capital expenditures. Transfers between Nonmajor Governmental Funds were made from the Highway Aid Fund to the Liquid Fuels Funded Loans Fund to cover the principal and interest payments on the 2014, 2015 and 2016 general obligation notes.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in the Township's noncurrent liabilities for the year ended December 31, 2023:

	<u>Balance January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2023</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Notes payable	<u>\$1,200,390</u>	<u>\$ -</u>	<u>\$ 561,336</u>	<u>\$ 639,054</u>	<u>\$496,333</u>
Other noncurrent liabilities					
Compensated absences	638,787	119,333	-	758,120	-
Net OPEB liability	399,613	878,860	-	1,278,473	-
Net pension liability	<u>4,400,511</u>	<u>-</u>	<u>1,875,755</u>	<u>2,524,756</u>	<u>-</u>
Total other noncurrent liabilities	<u>5,438,911</u>	<u>998,193</u>	<u>1,875,755</u>	<u>4,561,349</u>	<u>-</u>
Total noncurrent liabilities governmental activities	<u>\$6,639,301</u>	<u>\$998,193</u>	<u>\$2,437,091</u>	<u>\$5,200,403</u>	<u>\$496,333</u>

Discretely Presented Component Unit

The following summarizes the changes in the Sewer Authority's noncurrent liabilities for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
Sewer revenue notes	\$ 9,998,000	\$ -	\$297,000	\$ 9,701,000	\$301,000
Net pension liability (asset)	<u>457,505</u>	<u>371,993</u>	<u>454,420</u>	<u>375,078</u>	<u>-</u>
Total noncurrent liabilities discretely presented component unit	<u>\$10,455,505</u>	<u>\$371,993</u>	<u>\$751,420</u>	<u>\$10,076,078</u>	<u>\$301,000</u>

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the Township for which full faith and credit are pledged and are payable from local sources. The Township has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

General obligation debt outstanding as of December 31, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Original Final Maturity</u>	<u>Principal Outstanding</u>
General obligation notes				
Series of 2008	1.492% - 1.620%	\$4,018,000	06/25/2024	\$308,000
Series of 2014	2.117%	1,012,000	07/25/2024	111,000
Series of 2015	1.698%	140,000	04/25/2025	30,000
PIB Loan 2016	1.625%	599,350	08/01/2026	<u>190,054</u>
Total general obligation notes				<u>\$639,054</u>

Annual debt service requirements under the governmental activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2024	\$496,333	\$14,256	\$510,589
2025	78,346	2,330	80,676
2026	<u>64,375</u>	<u>1,046</u>	<u>65,421</u>
	<u>\$639,054</u>	<u>\$17,632</u>	<u>\$656,686</u>

Interest Rate Management Plan

The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the Township, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to the participants, DVRFA has entered into an interest rate swap agreement with a financial institution. In the event that the swap agreement between DVRFA and the financial institution is terminated, the value of the swap to DVRFA at the time of termination is a liability and insufficient funds are available to pay the liability, the participants are required to pay their proportionate share of the liability. The values of the swap agreements relative to the DVRFA notes payable at December 31, 2023 was an asset of \$16,049, in aggregate. The values of the swap agreements relative to these Notes are not reflected on the Township's statement of net position.

Discretely Presented Component Unit - Guaranteed Sewer Revenue Notes

Guaranteed sewer revenue notes are a direct obligation of the Sewer Authority for which full faith and credit are pledged and are payable from sewer revenues. The Sewer Authority has not pledged any assets as collateral for guaranteed sewer revenue notes. Guaranteed sewer revenue notes were issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Original Final Maturity</u>	<u>Principal Outstanding</u>
Guaranteed sewer revenue notes				
Series of 2020	1.325%	\$10,000,000	05/25/2050	<u>\$9,701,000</u>

Annual debt service requirements under the Sewer Authority's guaranteed sewer revenue notes is as follows:

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2024	\$ 301,000	\$ 128,206	\$ 429,206
2025	305,000	124,213	429,213
2026	309,000	120,168	429,168
2027	313,000	116,069	429,069
2028	317,000	111,917	428,917
2029-2033	1,650,000	495,372	2,145,372
2034-2038	1,763,000	382,980	2,145,980
2039-2043	1,885,000	265,552	2,150,552
2044-2048	2,014,000	134,476	2,148,476
2049-2050	<u>844,000</u>	<u>15,882</u>	<u>859,882</u>
	<u>\$9,701,000</u>	<u>\$1,894,835</u>	<u>\$11,595,835</u>

(8) LEASE RECEIVABLE

During 2005, the Township entered into a long-term lease as lessor of land. The lease is for 25 years at contract commencement and the Township will receive annual payments of \$100,000. As of December 31, 2023, the net present value of the lease receivable and deferred inflows or resources was \$532,856 and has an imputed interest rate of 3.50%. The net present value of minimum non-cancelable lease payments to be received under this lease are as follows:

Year ending December 31,

2024	\$ 100,000
2025	100,000
2026	100,000
2027	100,000
2028	100,000
2029	<u>100,000</u>
	600,000
Less: amount representing interest	<u>(67,146)</u>
Present value of minimum lease payments	<u>\$532,856</u>

(9) POST EMPLOYMENT RETIREMENT PLAN

The Lower Providence Township Police Post-Employment Benefits Plan ("**OPEB Plan**") is a non-contributory, single-employer postretirement benefits plan that covers all full-time uniformed police officers of the Township. The OPEB Plan provides postretirement medical benefits upon retirement or disability to plan members and their beneficiaries, pursuant to Township ordinances and the collective bargaining agreement between the Township and the police officers. The OPEB Plan can be amended by the Township through its ordinances and union contracts. The OPEB Plan is administered by a plan administrator appointed by the Board of Supervisors of the Township. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

Membership in the OPEB Plan consisted of the following at December 31, 2023:

Active employees	29
Retirees and beneficiaries currently receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>33</u>

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Funding Policy

Officers who retire and are receiving postretirement benefits under the plan are required to pay 25% of their medical premiums. Administrative costs of the plan are financed through an addition to the actuarially determined employer contribution.

The plan does not have a funding policy. The medical premiums for retired members are paid from the OPEB trust. The employer subsidies of the premiums for retired members are paid from the Township's General Fund.

Other Post-Employment Benefits Trust

Basis of Accounting

The OPEB Plan's financial statements are prepared using the accrual basis of accounting. OPEB plan member contributions by retired officers toward their postretirement benefits reduce the employer cost and the resulting liability. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions, including the implicit rate subsidy. Benefits and refunds are recognized when due and payable in accordance with terms of the OPEB plan, including the implicit rate subsidy.

Method Used to Value Investments

Investments in the OPEB Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Annual OPEB Cost

The annual OPEB cost was determined as part of the December 31, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.25% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 5.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

Discount Rate

The discount rate used to measure the total OPEB liability is 6.25% based upon the expected rate of return, net of expected investment expenses. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township's funding policy is to fund the rate subsidies through the General Fund and pay only the actual premiums for retired members from the OPEB trust.

Rate of Return

The long-term expected rate of return on OPEB Plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on OPEB Plan investments, net of investment expenses, was 16.10%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Domestic stocks	49.00%	5.53%	2.71%
International stocks	21.00%	5.96%	1.25%
Bonds	27.00%	0.07%	0.02%
Cash	3.00%	(1.08)%	(0.03)%
Total Portfolio	<u>100.00%</u>		3.95%
Inflation			<u>2.25%</u>
Long-term expected rate of return			<u>6.20%</u>

Net OPEB Liability

The Township's net OPEB liability has been measured as of December 31, 2023. The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$1,278,473 measured as the difference between the total OPEB liability of \$2,912,648 and the fiduciary net position of \$1,634,175.

The Township's change in total OPEB liability, plan fiduciary net position, and net OPEB liability for the year ended December 31, 2023 were as follows:

	<u>Total OPEB Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability (A) – (B)</u>
Balances as of December 31, 2022	<u>\$1,866,801</u>	<u>\$1,467,188</u>	<u>\$ 399,613</u>
Changes for the year:			
Service cost	161,893	-	161,893
Interest on total OPEB liability	176,187	-	176,187
Changes in actuarial assumptions	-	-	-
Differences between expected and actual experience	872,843	-	872,843
Employer contributions	-	105,192	(105,192)
Net investment income	-	235,997	(235,997)
Benefit payments	(165,076)	(165,076)	-
Administrative expense	-	(9,126)	9,126
Net changes	<u>1,045,847</u>	<u>166,987</u>	<u>878,860</u>
Balances as of December 31, 2023	<u>\$2,912,648</u>	<u>\$1,634,175</u>	<u>\$1,278,473</u>

Sensitivity of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the net OPEB liability for December 31, 2023, calculated using current healthcare cost trends as well as what the net OPEB liability would be if healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$902,494</u>	<u>\$1,278,473</u>	<u>\$1,724,114</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the Township calculated using the discount rate 6.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

LOWER PROVIDENCE TOWNSHIP

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December 31, 2023

	<u>1% Decrease</u> <u>5.25%</u>	<u>Current Discount Rate</u> <u>6.25%</u>	<u>1% Increase</u> <u>7.25%</u>
Net OPEB liability	<u>\$1,532,790</u>	<u>\$1,278,473</u>	<u>\$1,041,029</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Township recognized OPEB expense of \$252,464. At December 31, 2023, the Township had deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 998,494	\$376,423
Changes in assumptions	-	11,605
Net difference between projected and actual earnings on OPEB plan investments	<u>45,045</u>	<u>-</u>
	<u>\$1,043,539</u>	<u>\$388,028</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,

2024	\$ 32,139
2025	58,671
2026	81,070
2027	3,225
2028	32,515
Thereafter	<u>447,891</u>
	<u>\$655,511</u>

Actuarial Methods and Significant Assumptions

- Investment return – 6.25% (including inflation)
- Discount rate – 6.25%
- Inflation – 2.25%
- Salary increases – 5.00% per year
- Mortality rates – Pub-2010 mortality table for safety employees, projected using scale MP-2020

(10) EMPLOYEE RETIREMENT PLANS

Police Pension Fund

The Lower Providence Township Police Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Police Pension Plan**") that covers all full-time uniformed police officers of the Township. The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended.

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2023:

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Active employees	28
Retirees and beneficiaries currently receiving benefits (including DROP members)	37
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>66</u>

Benefit Provisions

The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Police Pension Plan.

Members are eligible for normal retirement after attainment of age 50 and 25 years of service and early retirement after 20 years of service. Normal retirement benefits are calculated as 50% of average compensation during the final 36 months of employment plus a service increment of \$100 per month for each completed year of benefit service in excess of 25 years, up to a maximum service increment of \$500 per month.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to 50% of their salary at the time of disability.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse or eligible dependent child, equal to 50% of the normal monthly retirement benefit.

Basis of Accounting

The Police Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Police Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 4.00% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.75% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 5.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Discount Rate

The discount rate used to measure the total pension liability is 6.75%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 16.72%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Domestic stocks	49.00%	5.20%	2.55%
International stocks	21.00%	5.40%	1.13%
Bonds	27.00%	2.40%	0.65%
Cash	<u>3.00%</u>	0.40%	<u>0.01%</u>
Total Portfolio	<u>100.00%</u>		4.34%
Inflation			<u>2.25%</u>
Long-term expected rate of return			<u>6.59%</u>

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$2,658,411 measured as the difference between the total pension liability of \$25,253,662 and the fiduciary net position of \$22,595,251.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2023 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2022	<u>\$23,354,551</u>	<u>\$19,191,201</u>	<u>\$ 4,163,350</u>
Changes for the year:			
Service cost	708,770	-	708,770
Interest on total pension liability	1,631,993	-	1,631,993

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Difference between expected and actual experience	-	-	-
Changes in actuarial assumptions	670,343	-	670,343
Employer contributions	-	1,200,533	(1,200,533)
Member contributions	-	155,768	(155,768)
Net investment income	-	3,250,094	(3,250,094)
Benefit payments	(1,111,995)	(1,111,995)	-
Administrative expense	-	(90,350)	90,350
Net changes	<u>1,899,111</u>	<u>3,404,050</u>	<u>(1,504,939)</u>
Balances as of December 31, 2023	<u>\$25,253,662</u>	<u>\$22,595,251</u>	<u>\$ 2,658,411</u>

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

The following presents the net pension liability of the Township calculated using the discount rate 6.75%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net pension liability	<u>\$5,817,240</u>	<u>\$2,658,411</u>	<u>\$41,559</u>

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

For the year ended December 31, 2023, the Township recognized pension expense of \$924,903. At December 31, 2023, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 133,150	\$480,542
Changes in assumptions	961,809	-
Net difference between projected and actual earnings on pension plan investments	<u>693,069</u>	<u>-</u>
	<u>\$1,788,028</u>	<u>\$480,542</u>

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

Year ended December 31,

2024	\$ 370,936
2025	568,099
2026	641,416
2027	(323,768)
2028	<u>50,803</u>
	<u>\$1,307,486</u>

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program ("**DROP**") for a period of no more than 48 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Actuarial Methods and Significant Assumptions

- Investment return – 6.75% (including inflation)
- Discount rate – 6.75%
- Inflation – 2.25%
- Salary increases – 5.00% per year
- Mortality rates – Pub-2010 mortality table for safety employees, projected using scale MP-2020

Nonuniform Pension Fund

The Lower Providence Township Nonuniform Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "***Nonuniform Pension Plan***") that covers all full-time non-uniformed employees of the Township hired prior to 2002 and salaried management employees holding the positions of Director and/or Coordinator on or before July 1, 2009.

Plan Membership

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2023:

Active employees	4
Retirees and beneficiaries currently receiving benefits	28
Terminated plan members entitled to but not yet receiving benefits	<u>7</u>
Total	<u>39</u>

Benefit Provisions

The Nonuniform Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan can be amended by the Township through its Ordinances and union contracts.

Basis of Accounting

The Nonuniform Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Nonuniform Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Nonuniform Pension Plan are based upon the minimum municipal obligation (the "***MMO***"). The MMO is derived from the Nonuniform Pension Plan's biennial actuarial valuation. Members in the Nonuniform Pension Plan are required to contribute 1.50% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.75% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 4.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Discount Rate

The discount rate used to measure the total pension liability is 6.75%. The Nonuniform Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 16.56%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Domestic stocks	49.00%	5.53%	2.71%
International stocks	21.00%	5.96%	1.25%
Bonds	27.00%	0.07%	0.02%
Cash	<u>3.00%</u>	(1.08)%	<u>(0.03)%</u>
Total Portfolio	<u>100.00%</u>		3.95%
Inflation			<u>2.25%</u>
Long-term expected rate of return			<u>6.20%</u>

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2022, and by rolling forward the liabilities from the January 1, 2023 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension asset is \$133,655 measured as the difference between the total pension liability of \$6,058,384 and the fiduciary net position of \$6,192,039.

The Township's change in total pension liability (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2023 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of December 31, 2022	<u>\$5,876,378</u>	<u>\$5,639,217</u>	<u>\$ 237,161</u>
Changes for the year:			
Service cost	50,707	-	50,707
Interest on total pension liability	395,602	-	395,602

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Changes in actuarial assumptions	131,675	-	131,675
Employer contributions	-	59,722	(59,722)
Member contributions	-	6,663	(6,663)
Net investment income	-	918,753	(918,753)
Benefit payments	(395,978)	(395,978)	-
Differences between expected and actual experience	-	-	-
Administrative expense	-	(36,338)	36,338
Net changes	<u>182,006</u>	<u>552,822</u>	<u>(370,816)</u>
Balances as of December 31, 2023	<u>\$6,058,384</u>	<u>\$6,192,039</u>	<u>\$(133,655)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Township calculated using the discount rate 6.75%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net pension liability (asset)	<u>\$434,007</u>	<u>\$(133,655)</u>	<u>\$(623,632)</u>

Pension Expense and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2023, the Township recognized pension expense of \$136,434 . At December 31, 2023, the Township reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$244,732</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2024	\$ (29,841)
2025	(123,045)
2026	(201,938)
2027	<u>110,092</u>
	<u>\$(244,732)</u>

Actuarial Methods and Significant Assumptions

- Investment return – 6.75% (including inflation)
- Discount rate – 6.75%
- Inflation – 2.25%
- Salary increases – 4.00% per year
- Mortality rates – Pub-2010 mortality table for general employees, projected using scale MP-2020

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Discretely Presented Component Unit – Retirement Plan

The Lower Providence Township Sewer Authority pension plan (the "**Sewer Authority Pension Plan**") is a single employer contributory defined benefit pension plan established by the Authority to provide pension benefits for employees who meet the age and service requirements. The pension plan does not issue separate stand-alone financial statements. The plan is administered by the trustees of Authority. The most recent actuarial valuation is July 1, 2022. Details below are from the valuation.

Plan Membership

Membership in the Sewer Authority Pension Plan consisted of the following at July 1, 2022:

Active plan members	6
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>13</u>

Benefit Provisions

The Sewer Authority Pension Plan provides retirement, disability and death benefits to Sewer Authority Pension Plan members and their beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 60. Early retirement is available to members with 15 years of credited service with reduced benefits. The death benefit is if the member is eligible for retirement, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to in the form of a single sum as of the first of the month following the date of death.

Basis of Accounting

Sewer Authority Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of plan administration is charged against the earnings of the plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services and actuarial services, as required by State statutes.

Method Used to Value Investments

Investments are reported at fair value.

Contributions

Act 205 requires that annual contributions be based upon the Sewer Authority Pension Plan's minimum municipal obligation (the "**MMO**"). The MMO is based upon the Sewer Authority Pension Plan's biennial actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

In accordance with the Sewer Authority Pension Plan's governing Resolution, members are not required to contribute to the Sewer Authority Pension Plan. Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the Sewer Authority Pension Plan and funded through investment earnings.

Member contributions are currently suspended.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Annual Pension Cost

The annual required contribution was determined as part of the July 1, 2022 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and 4.00% for merit/seniority for salary projections. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the Sewer Authority Pension Plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on Sewer Authority Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return, by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 9.60%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of Sewer Authority Pension Plan investments by asset class is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities	60.0%
Fixed income	<u>40.0%</u>
Total portfolio	<u>100.0%</u>

Net Pension Liability

The Sewer Authority's net pension liability has been measured as of June 30, 2023. The total pension liability was determined by an actuarial valuation as of July 1, 2022, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$375,078 measured as the difference between the total pension liability of \$2,569,418 and the fiduciary net position of \$2,194,340.

The Sewer Authority's change in total pension liability, plan fiduciary net position, and net pension liability (asset) for the year ended June 30, 2023 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Position Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of June 30, 2022	<u>\$2,535,523</u>	<u>\$2,078,018</u>	<u>\$ 457,505</u>
Changes for the year:			
Service cost	49,841	-	49,841

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Interest on total pension liability	172,852	-	172,852
Differences between expected and actual experience	(43,298)	-	(43,298)
Employer contributions	-	73,173	(73,173)
Net investment income	-	192,449	(192,449)
Benefit payments, including refunds of employee contributions	(145,500)	(145,500)	-
Administrative expense	-	(3,800)	3,800
Net changes	<u>33,895</u>	<u>116,322</u>	<u>(82,427)</u>
Balances as of June 30, 2023	<u>\$2,569,418</u>	<u>\$2,194,340</u>	<u>\$ 375,078</u>

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

The following presents the net pension liability of the Sewer Authority calculated using the discount rate 7.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability	<u>\$633,610</u>	<u>\$375,078</u>	<u>\$154,288</u>

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

For the year ended June 30, 2023, the Sewer Authority recognized pension expense of \$135,490. At June 30, 2023, the Sewer Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$34,638
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>171,431</u>	<u>-</u>
	<u>\$171,431</u>	<u>\$34,638</u>

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

Year ended December 31,

2024	\$ 51,794
2025	51,794
2026	51,795
2027	<u>(18,590)</u>
	<u>\$136,793</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.00%
- Discount rate – 7.00%
- Inflation – 3.00%

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

- Salary increases – 4.00%
- Mortality rates: PubG-2010 mortality table, including rates for disabled retirees and contingent survivors.

(11) NONUNIFORM DEFINED CONTRIBUTION PLAN

The Township sponsors a defined contribution pension plan (the "**Defined Contribution Plan**"). The Defined Contribution Plan covers all full-time employees of the Township who are hired after 2001, except for police officers and salaried management employees holding the positions of Director and/or Coordinator hired on or before July 1, 2009. The assets of the Defined Contribution Plan, totaled \$419,357 as of December 31, 2023, are invested separately, and the Defined Contribution Plan's assets may be used only for the payment of benefits to the members of the Defined Contribution Plan. Investments are managed by the Defined Contribution Plan's administrator under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants. The Township has no management control over the assets of the Defined Contribution Plan. Accordingly, the assets of the Defined Contribution Plan are not included in these financial statements.

Eligibility

Full-time non-uniformed employees are eligible to join the Defined Contribution Plan on the first day of employment.

Contributions

The Township contributes 9.00% of compensation and employees are not required to contribute to the Non-Uniform Pension Plan. The Township's contributions totaled \$24,463 for 2023.

Normal Retirement

A member's full account is payable upon retirement at age 60 and ten years of vesting service or early retirement at age 55 and completion of fifteen years of vesting service.

Death Benefits

If a member dies while an active member of the Defined Contribution Plan, his account will be 100% vested and payable to the member's spouse or designated beneficiary or beneficiaries.

Vesting

If a member in the Defined Contribution Plan terminates other than by retirement, disability or death, the percentage of his employer contribution account to which he will be entitled depends upon the number of years of credited service. The vesting account is as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1-2 years	25%
3-4 years	50%
5 or more years	100%

Forfeiture

When a member terminates before becoming 100% vested, the portion of his account to which he is not entitled is used to reduce future Township contributions to the Defined Contribution Plan. There were no forfeitures in 2023.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(12) DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to those employees who meet the eligibility requirements set forth in the deferred compensation plan, permits employees to defer a portion of their salary until future years. Assets of the deferred compensation plan totaled \$4,210,771 as of December 31, 2023 are not available to employees until termination, retirement, death, disability or unforeseeable emergency. All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Township has no liability for losses under the plan. Investments are managed by the plan's administrator under several different investment options or combinations thereof. The choice of the investment option(s) is made by the participants. The Township has no management control over the assets of the deferred compensation plan. Accordingly, the assets of the deferred compensation plan are not included in these financial statements.

(13) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The Township receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Township officials do not expect any significant adjustments as a result of these examinations.

Litigation

The Township is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

Discretely Presented Component Unit

The Sewer Authority has a service agreement with the Lower Perkiomen Valley Regional Sewer Authority ("LPVRS") for the treatment of sewage collected by the Sewer Authority, whereby the Sewer Authority pays a fee to LPVRS each month. The Sewer Authority paid fees which totaled \$2,508,716 for the year ended June 30, 2023.

(14) RISK MANAGEMENT

Health Insurance

The Township participates in a healthcare trust with other governmental entities from Pennsylvania and Delaware. The healthcare trust is a public entity risk pool is designed to provide healthcare coverage for eligible employees, spouses and dependents. The Trust was established for the sole and exclusive benefit of the employees of the member governmental entities. While the healthcare trust is self-funded, each member governmental entity receives a fully-insured equivalent rate which is guaranteed for twelve months and represents a total risk transfer to the healthcare trust. The Township is not responsible for any additional assessments upon termination. The healthcare trust assumes the risk for all claims including large claims and purchases commercial reinsurance for claims over \$1 million.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Property and Liability

The Township, with other governmental entities from Pennsylvania and Delaware, participate in a property and liability trust, which is a public entity risk pool currently operating as a common risk management and insurance program. The Township and the other participating members pay an annual premium to the property and liability trust for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the property and liability trust's insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the property and liability trust, that the property and liability trust will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the property and liability trust against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance. As of December 31, 2023, the Township is not aware of any additional assessments relating to the property and liability trust.

Workers' Compensation

The Township and other Pennsylvania municipalities participate in a workers' compensation trust, which is a cooperative voluntary arrangement. The Township and the other participating members pay an annual premium to the workers' compensation trust for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the workers' compensation trust that the workers' compensation trust will utilize funds contributed by the participating members, which shall be held in trust, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of December 31, 2023, the Township is not aware of any additional assessments relating to the workers' compensation trust.

Other Risks

The Township is exposed to other risks of loss, including errors and omissions. The Township has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 7, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER PROVIDENCE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Taxes			
Real estate taxes	\$ 2,621,790	\$ 2,649,804	\$ 28,014
Per capita taxes	2,000	1,858	(142)
Real estate transfer taxes	700,000	625,579	(74,421)
Earned income taxes	6,650,000	6,897,524	247,524
Local services taxes	515,000	577,705	62,705
Amusement taxes	<u>25,000</u>	<u>29,984</u>	<u>4,984</u>
Total taxes	10,513,790	10,782,454	268,664
Licenses and permits	502,600	479,414	(23,186)
Fines and forfeits	90,000	90,444	444
Interest, rents and royalties	80,300	279,635	199,335
Intergovernmental revenues	483,817	1,436,042	952,225
Charges for services	735,000	491,122	(243,878)
Miscellaneous	<u>76,500</u>	<u>187,158</u>	<u>110,658</u>
Total revenues	<u>12,482,007</u>	<u>13,746,269</u>	<u>1,264,262</u>
EXPENDITURES			
Current			
General government	2,553,613	2,313,256	240,357
Public safety	8,083,757	8,035,072	48,685
Health and human services	8,500	13,500	(5,000)
Public works			
Sanitation	7,500	7,500	-
Highways and streets	1,839,418	1,601,313	238,105
Other	15,000	50,640	(35,640)
Community development	8,000	3,751	4,249
Miscellaneous	<u>9,050</u>	<u>14,081</u>	<u>(5,031)</u>
Total expenditures	<u>12,524,838</u>	<u>12,039,113</u>	<u>485,725</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>(42,831)</u>	<u>1,707,156</u>	<u>1,749,987</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	202	202
Refund of prior year receipts	-	(4,844)	(4,844)
Refund of prior year expenditures	-	9,665	9,665
Transfers in	-	-	-
Transfers out	<u>(447,821)</u>	<u>(708,736)</u>	<u>(260,915)</u>
Total other financing sources (uses)	<u>(447,821)</u>	<u>(703,713)</u>	<u>(255,892)</u>
NET CHANGE IN FUND BALANCE			
	<u>\$ (490,652)</u>	1,003,443	<u>\$1,494,095</u>
FUND BALANCE			
Beginning of year		<u>5,467,939</u>	
End of year		<u>\$ 6,471,382</u>	

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

Year ended December 31,

	2023		2022		2021		2020		2019
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund
TOTAL PENSION LIABILITY									
Service cost	\$ 708,770	\$ 50,707	\$ 614,247	\$ 55,278	\$ 595,890	\$ 116,892	\$ 460,830	\$ 101,970	\$ 448,022
Interest on total pension liability	1,631,993	395,602	1,623,401	390,235	1,564,950	380,279	1,395,137	348,341	1,335,805
Differences between expected and actual experience	-	-	(762,386)	77,283	-	-	596,274	(143,234)	-
Changes of assumptions	670,343	131,675	-	-	989,622	366,449	-	-	-
Benefit payments, including refunds of member contributions	(1,111,995)	(395,978)	(1,395,821)	(331,855)	(1,292,548)	(254,794)	(1,009,484)	(209,600)	(888,588)
Net change in total liability	1,899,111	182,006	79,441	190,941	1,857,914	608,826	1,442,757	97,477	895,239
Total pension liability, beginning	<u>23,354,551</u>	<u>5,876,378</u>	<u>23,275,110</u>	<u>5,685,437</u>	<u>21,417,196</u>	<u>5,076,611</u>	<u>19,974,439</u>	<u>4,979,134</u>	<u>19,079,199</u>
Total pension liability, ending	<u>\$ 25,253,662</u>	<u>\$ 6,058,384</u>	<u>\$ 23,354,551</u>	<u>\$ 5,876,378</u>	<u>\$ 23,275,110</u>	<u>\$ 5,685,437</u>	<u>\$ 21,417,196</u>	<u>\$ 5,076,611</u>	<u>\$ 19,974,438</u>
PLAN FIDUCIARY NET POSITION									
Employer contributions	\$ 1,200,533	\$ 59,722	\$ 1,151,591	\$ 91,784	\$ 980,011	\$ 112,657	\$ 982,373	\$ 116,549	\$ 916,689
Employee contributions	155,768	6,663	146,619	8,503	139,823	13,445	119,551	11,805	88,561
Net investment income	3,250,094	918,753	(3,485,493)	(1,080,697)	2,669,758	830,563	2,718,012	851,951	3,104,633
Benefit payments	(1,111,995)	(395,978)	(1,395,821)	(331,855)	(1,292,548)	(254,795)	(1,009,484)	(209,600)	(888,588)
Insurance premiums	-	-	-	-	-	-	-	-	(3,880)
Administrative expense	(90,350)	(36,338)	(75,542)	(27,012)	(94,769)	(35,524)	(65,690)	(25,084)	(64,866)
Net change in plan fiduciary net position	3,404,050	552,822	(3,658,646)	(1,339,277)	2,402,275	666,346	2,744,762	745,621	3,152,549
Fiduciary net position, beginning	<u>19,191,201</u>	<u>5,639,217</u>	<u>22,849,847</u>	<u>6,978,494</u>	<u>20,447,572</u>	<u>6,312,148</u>	<u>17,702,810</u>	<u>5,566,527</u>	<u>14,550,261</u>
Fiduciary net position, ending	<u>\$ 22,595,251</u>	<u>\$ 6,192,039</u>	<u>\$ 19,191,201</u>	<u>\$ 5,639,217</u>	<u>\$ 22,849,847</u>	<u>\$ 6,978,494</u>	<u>\$ 20,447,572</u>	<u>\$ 6,312,148</u>	<u>\$ 17,702,810</u>
Net pension liability (asset), ending	<u>\$ 2,658,411</u>	<u>\$ (133,655)</u>	<u>\$ 4,163,350</u>	<u>\$ 237,161</u>	<u>\$ 425,263</u>	<u>\$ (1,293,057)</u>	<u>\$ 969,624</u>	<u>\$ (1,235,537)</u>	<u>\$ 2,271,628</u>
Fiduciary net position as a % of total pension liability	89.47%	102.21%	82.17%	95.96%	98.17%	122.74%	95.47%	124.34%	88.63%
Internal money-weighted rate of return	16.72%	16.56%	-15.95%	-16.24%	13.00%	13.07%	15.34%	15.16%	21.43%
Covered payroll	3,552,154	394,478	3,669,322	387,245	3,328,152	558,991	3,441,562	723,307	2,953,470
Net pension liability (asset) as a % of covered payroll	74.84%	-33.88%	113.46%	61.24%	12.78%	-231.32%	28.17%	-170.82%	76.91%

Nonuniform Pension Fund	2018		2017		2016		2015		2014	
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
\$ 117,532	\$ 455,230	\$ 97,549	\$ 442,858	\$ 110,712	\$ 289,045	\$ 105,301	\$ 291,983	\$ 119,423	\$ 294,320	\$ 104,672
332,482	1,323,414	328,976	1,264,445	314,320	1,261,601	357,265	1,218,681	335,619	1,151,119	311,063
-	(651,980)	(191,572)	-	-	(81,360)	(165,498)	105,106	15,270	-	-
-	-	-	1,660,903	(82,881)	-	-	-	-	-	-
<u>(206,194)</u>	<u>(996,303)</u>	<u>(203,493)</u>	<u>(758,214)</u>	<u>(201,506)</u>	<u>(1,222,819)</u>	<u>(188,746)</u>	<u>(719,618)</u>	<u>(151,934)</u>	<u>(687,763)</u>	<u>(125,677)</u>
243,820	130,361	31,460	2,609,992	140,645	246,467	108,322	896,152	318,378	757,676	290,058
<u>4,735,314</u>	<u>18,948,838</u>	<u>4,703,854</u>	<u>16,338,846</u>	<u>4,563,209</u>	<u>16,092,379</u>	<u>4,454,887</u>	<u>15,196,227</u>	<u>4,136,509</u>	<u>14,438,551</u>	<u>3,846,451</u>
<u>\$ 4,979,134</u>	<u>\$ 19,079,199</u>	<u>\$ 4,735,314</u>	<u>\$ 18,948,838</u>	<u>\$ 4,703,854</u>	<u>\$ 16,338,846</u>	<u>\$ 4,563,209</u>	<u>\$ 16,092,379</u>	<u>\$ 4,454,887</u>	<u>\$ 15,196,227</u>	<u>\$ 4,136,509</u>
\$ 191,819	\$ 948,849	\$ 154,215	\$ 757,061	\$ 257,187	\$ 733,609	\$ 255,150	\$ 728,043	\$ 287,400	\$ 717,943	\$ 281,382
10,352	91,266	10,066	92,678	6,328	61,204	4,677	54,411	1,588	50,767	1,503
985,715	(905,696)	(294,785)	2,205,632	711,855	1,014,756	325,072	(72,907)	(24,990)	569,398	199,009
(206,194)	(996,303)	(203,493)	(758,214)	(201,506)	(1,222,819)	(188,746)	(719,618)	(151,934)	(687,763)	(125,677)
(3,880)	-	-	(3,881)	(3,881)	-	-	555	555	(1,800)	(1,800)
<u>(26,386)</u>	<u>(62,751)</u>	<u>(25,251)</u>	<u>(63,976)</u>	<u>(29,765)</u>	<u>(56,370)</u>	<u>(22,002)</u>	<u>(57,300)</u>	<u>(23,709)</u>	<u>(99,932)</u>	<u>(30,469)</u>
951,426	(924,635)	(359,248)	2,229,300	740,218	530,380	374,151	(66,816)	88,910	548,613	323,948
<u>4,615,101</u>	<u>15,474,896</u>	<u>4,974,349</u>	<u>13,245,596</u>	<u>4,234,131</u>	<u>12,715,216</u>	<u>3,859,980</u>	<u>12,782,032</u>	<u>3,771,070</u>	<u>12,233,419</u>	<u>3,447,122</u>
<u>\$ 5,566,527</u>	<u>\$ 14,550,261</u>	<u>\$ 4,615,101</u>	<u>\$ 15,474,896</u>	<u>\$ 4,974,349</u>	<u>\$ 13,245,596</u>	<u>\$ 4,234,131</u>	<u>\$ 12,715,216</u>	<u>\$ 3,859,980</u>	<u>\$ 12,782,032</u>	<u>\$ 3,771,070</u>
<u>\$ (587,393)</u>	<u>\$ 4,528,938</u>	<u>\$ 120,213</u>	<u>\$ 3,473,942</u>	<u>\$ (270,495)</u>	<u>\$ 3,093,250</u>	<u>\$ 329,078</u>	<u>\$ 3,377,163</u>	<u>\$ 594,907</u>	<u>\$ 2,414,195</u>	<u>\$ 365,439</u>
111.80%	76.26%	97.46%	81.67%	105.75%	81.07%	92.79%	79.01%	86.65%	84.11%	91.17%
21.26%	-6.34%	-6.35%	16.65%	16.73%	8.36%	8.56%	-0.58%	-0.67%	4.66%	5.89%
689,004	2,872,578	675,041	3,051,911	638,823	3,060,177	637,404	2,706,118	627,924	2,424,709	608,470
-85.25%	157.66%	17.81%	113.83%	-42.34%	101.08%	51.63%	124.80%	94.74%	99.57%	60.06%

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Year ended December 31,

Police Pension Fund

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 717,943	\$ 717,943	-	\$ 2,424,709	29.61%
2015	732,683	732,683	-	2,706,118	27.08%
2016	733,609	733,609	-	3,060,177	23.97%
2017	757,061	757,061	-	3,051,911	24.81%
2018	948,849	948,849	-	2,872,578	33.03%
2019	916,689	916,689	-	2,953,470	31.04%
2020	982,373	982,373	-	3,441,562	28.54%
2021	980,011	980,011	-	3,328,152	29.45%
2022	1,151,591	1,151,591	-	3,669,322	31.38%
2023	1,200,533	1,200,533	-	3,552,154	33.80%

Nonuniform Pension Fund

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 281,382	\$ 281,382	-	\$ 608,470	46.24%
2015	287,400	287,400	-	627,924	45.77%
2016	255,150	255,150	-	637,404	40.03%
2017	257,187	257,187	-	638,823	40.26%
2018	154,215	154,215	-	689,004	22.38%
2019	191,819	191,819	-	689,004	27.84%
2020	116,548	116,548	-	723,307	16.11%
2021	112,657	112,657	-	558,991	20.15%
2022	91,784	91,784	-	387,245	23.70%
2023	59,722	59,722	-	394,478	15.14%

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET)

Year ended December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY							
Service cost	\$ 161,893	\$ 116,922	\$ 114,053	\$ 80,101	\$ 80,765	\$ 104,989	\$ 105,879
Interest on total OPEB liability	176,187	116,006	111,814	92,309	90,099	129,449	126,739
Changes in benefit terms	-	-	-	-	(62,426)	-	-
Changes in actuarial assumptions	-	-	(14,983)	-	-	-	-
Differences between expected and actual experience	872,843	-	246,684	-	(628,043)	-	-
Benefit payments	<u>(165,076)</u>	<u>(210,610)</u>	<u>(112,714)</u>	<u>(139,232)</u>	<u>(130,461)</u>	<u>(168,215)</u>	<u>(208,522)</u>
Net change in total OPEB liability	1,045,847	22,318	344,854	33,178	(650,066)	66,223	24,096
Total OPEB liability, beginning	<u>1,866,801</u>	<u>1,844,483</u>	<u>1,499,629</u>	<u>1,466,451</u>	<u>2,116,517</u>	<u>2,050,294</u>	<u>2,026,198</u>
Total OPEB liability, ending	<u>\$2,912,648</u>	<u>\$1,866,801</u>	<u>\$1,844,483</u>	<u>\$1,499,629</u>	<u>\$1,466,451</u>	<u>\$2,116,517</u>	<u>\$2,050,294</u>
PLAN FIDUCIARY NET POSITION							
Employer contributions	\$ 105,192	\$ 155,295	\$ 65,566	\$ 81,958	\$ 76,021	\$ 110,750	\$ 150,304
Net investment income	235,997	(277,996)	213,778	224,393	266,019	(82,010)	205,401
Benefit payments	(165,076)	(210,610)	(112,714)	(139,232)	(130,461)	(168,215)	(208,522)
Administrative expense	<u>(9,126)</u>	<u>(13,553)</u>	<u>(9,432)</u>	<u>(13,823)</u>	<u>(8,807)</u>	<u>(15,888)</u>	<u>(1,275)</u>
Net change in plan fiduciary net position	166,987	(346,864)	157,198	153,296	202,772	(155,363)	145,908
Fiduciary net position, beginning	<u>1,467,188</u>	<u>1,814,052</u>	<u>1,656,854</u>	<u>1,503,558</u>	<u>1,300,786</u>	<u>1,456,149</u>	<u>1,310,241</u>
Fiduciary net position, ending	<u>\$1,634,175</u>	<u>\$1,467,188</u>	<u>\$1,814,052</u>	<u>\$1,656,854</u>	<u>\$1,503,558</u>	<u>\$1,300,786</u>	<u>\$1,456,149</u>
Net OPEB liability (asset), ending	<u>\$1,278,473</u>	<u>\$ 399,613</u>	<u>\$ 30,431</u>	<u>\$ (157,225)</u>	<u>\$ (37,107)</u>	<u>\$ 815,731</u>	<u>\$ 594,145</u>
Fiduciary net position as a % of total pension liability	56.11%	78.59%	98.35%	110.48%	102.53%	61.46%	71.02%
Internal money-weighted rate of return	16.10%	-15.90%	12.76%	14.94%	20.55%	-6.11%	16.08%
Covered payroll	3,692,755	3,741,183	3,617,382	3,823,491	3,294,187	3,338,290	3,343,406
Net OPEB liability as a % of covered payroll	34.62%	10.68%	0.84%	-4.11%	-1.13%	24.44%	17.77%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS

Year ended December 31,

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	420,294	52,281	368,013	2,424,709	2.16%
2015	420,294	57,281	363,013	2,773,360	2.07%
2016	420,294	134,340	285,954	3,060,177	4.39%
2017	229,400	150,304	79,096	3,338,290	4.50%
2018	229,400	110,750	118,650	3,338,290	3.32%
2019	127,516	76,021	51,495	3,294,187	2.31%
2020	127,516	81,958	45,558	3,823,491	2.14%
2021	166,375	65,566	100,809	3,617,382	1.81%
2022	166,375	155,295	11,080	3,741,183	4.15%
2023	292,443	105,192	187,251	3,692,755	2.85%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

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LOWER PROVIDENCE TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

December 31, 2023

	Special Revenue Funds					Debt Service Fund	Liquid Fuels Funded Loans Fund
	Library Fund	Parks and Recreation Operating Fund	Highway Aid Fund	Emergency Services Fund	Tree Fund		
ASSETS							
Cash	\$ 67	\$236,265	\$228,838	\$111,444	\$ -	\$204,590	\$1,164
Due from other funds	-	-	-	-	-	-	-
Taxes receivable	8,234	5,751	-	11,913	-	6,587	-
Lease receivable	-	-	-	-	-	-	-
Prepaid items	-	-	-	12,104	-	-	-
Total assets	<u>\$8,301</u>	<u>\$242,016</u>	<u>\$228,838</u>	<u>\$135,461</u>	<u>\$ -</u>	<u>\$211,177</u>	<u>\$1,164</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 2,764	\$ 37,332	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	6,548	-	1,635	-	-	-
Total liabilities	<u>-</u>	<u>6,548</u>	<u>2,764</u>	<u>38,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from lease receivable	-	-	-	-	-	-	-
FUND BALANCES							
Nonspendable							
Prepaid Items	-	-	-	12,104	-	-	-
Restricted for							
Debt service	-	-	-	-	-	211,177	-
Public works - roads	-	-	226,074	-	-	-	-
Committed for							
Capital purchases	-	-	-	-	-	-	-
Public safety	-	-	-	84,390	-	-	-
Culture and recreation	8,301	235,468	-	-	-	-	-
Assigned for							
Capital purchases	-	-	-	-	-	-	1,164
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>8,301</u>	<u>235,468</u>	<u>226,074</u>	<u>96,494</u>	<u>-</u>	<u>211,177</u>	<u>1,164</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$8,301</u>	<u>\$242,016</u>	<u>\$228,838</u>	<u>\$135,461</u>	<u>\$ -</u>	<u>\$211,177</u>	<u>\$1,164</u>

Capital Projects Funds

<u>Parks and Recreation Capital Reserve Fund</u>	<u>West End Capital Improvement Fund</u>	<u>Sidewalk Fund</u>	<u>Stormwater Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Complex Fund</u>	<u>Total</u>
\$367,032	\$158,074	\$102,102	\$274,422	\$ 620,402	\$1,003,949	\$ 3,308,349
-	-	-	-	-	-	-
-	-	-	-	-	-	32,485
-	-	-	-	532,856	-	532,856
-	-	-	-	-	-	12,104
<u>\$367,032</u>	<u>\$158,074</u>	<u>\$102,102</u>	<u>\$274,422</u>	<u>\$1,153,258</u>	<u>\$1,003,949</u>	<u>\$ 3,885,794</u>
\$ 11,426	\$ -	\$ -	\$ 676	\$ 1,791	\$ 1,489	\$ 55,478
-	-	-	-	-	-	8,183
<u>11,426</u>	<u>-</u>	<u>-</u>	<u>676.00</u>	<u>1,791</u>	<u>1,489</u>	<u>63,661</u>
-	-	-	-	532,856	-	532,856
-	-	-	-	-	-	12,104
-	-	-	-	-	-	211,177
-	-	-	-	-	-	226,074
	158,074	102,102	273,746	618,611	1,002,460	2,154,993
-	-	-	-	-	-	84,390
355,606	-	-	-	-	-	599,375
-	-	-	-	-	-	1,164
-	-	-	-	-	-	-
<u>355,606</u>	<u>158,074</u>	<u>102,102</u>	<u>273,746</u>	<u>618,611</u>	<u>1,002,460</u>	<u>3,289,277</u>
<u>\$367,032</u>	<u>\$158,074</u>	<u>\$102,102</u>	<u>\$274,422</u>	<u>\$1,153,258</u>	<u>\$1,003,949</u>	<u>\$ 3,885,794</u>

LOWER PROVIDENCE TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES

Year ended December 31, 2023

	Special Revenue Funds					Debt Service Fund	Liquid Fuels Funded Loans Fund
	Library Fund	Parks and Recreation Operating Fund	Highway Aid Fund	Emergency Services Fund	Tree Fund		
REVENUES							
Taxes	\$574,159	\$401,080	\$ -	\$ 829,699	\$ -	\$459,322	\$ -
Interest, rents and royalties	-	9,600	13,716	11,661	-	5,368	362
Intergovernmental revenues	-	-	752,059	197,886	-	-	-
Charges for services	-	318,321	-	-	-	-	-
Contributions and donations	-	36,090	-	-	2,398	-	-
Total revenues	<u>574,159</u>	<u>765,091</u>	<u>765,775</u>	<u>1,039,246</u>	<u>2,398</u>	<u>464,690</u>	<u>362</u>
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	1,068,754	-	-	-
Public works	-	-	621,596	-	-	-	-
Culture and recreation	594,499	700,019	-	-	-	-	-
Debt service	-	-	-	-	-	399,128	178,117
Total expenditures	<u>594,499</u>	<u>700,019</u>	<u>621,596</u>	<u>1,068,754</u>	<u>-</u>	<u>399,128</u>	<u>178,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,340)</u>	<u>65,072</u>	<u>144,179</u>	<u>(29,508)</u>	<u>2,398</u>	<u>65,562</u>	<u>(177,755)</u>
OTHER FINANCING SOURCES (USES)							
Refund of prior year expenditures/ (revenues)	-	616	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-	-	-
Transfers in	20,000	-	-	-	-	-	178,147
Transfers out	-	-	(178,147)	-	-	-	-
Total other financing sources (uses)	<u>20,000</u>	<u>616</u>	<u>(178,147)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,147</u>
NET CHANGE IN FUND BALANCES	<u>(340)</u>	<u>65,688</u>	<u>(33,968)</u>	<u>(29,508)</u>	<u>2,398</u>	<u>65,562</u>	<u>392</u>
FUND BALANCES							
Beginning of year	<u>8,641</u>	<u>169,780</u>	<u>260,042</u>	<u>126,002</u>	<u>(2,398)</u>	<u>145,615</u>	<u>772</u>
End of year	<u>\$ 8,301</u>	<u>\$235,468</u>	<u>\$ 226,074</u>	<u>\$ 96,494</u>	<u>\$ -</u>	<u>\$211,177</u>	<u>\$ 1,164</u>

Capital Projects Funds

Parks and Recreation Capital Reserve Fund	West End Capital Improvement Fund	Sidewalk Fund	Stormwater Fund	Capital Projects Fund	Municipal Complex Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,264,260
9,739	5,177	3,343	7,726	114,232	33,606	214,530
-	-	-	-	27,583	-	977,528
9,770	-	-	-	-	-	328,091
-	-	-	-	-	-	38,488
<u>19,509</u>	<u>5,177</u>	<u>3,343</u>	<u>7,726</u>	<u>141,815</u>	<u>33,606</u>	<u>3,822,897</u>
-	-	-	-	150,482	32,732	183,214
-	-	-	-	299,920	-	1,368,674
-	-	-	171,435	195,906	-	988,937
155,362	-	-	-	-	-	1,449,880
-	-	-	-	-	-	577,245
<u>155,362</u>	<u>-</u>	<u>-</u>	<u>171,435</u>	<u>646,308</u>	<u>32,732</u>	<u>4,567,950</u>
<u>(135,853)</u>	<u>5,177</u>	<u>3,343</u>	<u>(163,709)</u>	<u>(504,493)</u>	<u>874</u>	<u>(745,053)</u>
-	-	-	(15,000)	-	-	(14,384)
-	-	-	-	38,048	-	38,048
88,083	-	-	134,208	466,445	-	886,883
-	-	-	-	-	-	(178,147)
<u>88,083</u>	<u>-</u>	<u>-</u>	<u>119,208</u>	<u>504,493</u>	<u>-</u>	<u>732,400</u>
(47,770)	5,177	3,343	(44,501)	-	874	(12,653)
<u>403,376</u>	<u>152,897</u>	<u>98,759</u>	<u>318,247</u>	<u>618,611</u>	<u>1,001,586</u>	<u>3,301,930</u>
<u>\$ 355,606</u>	<u>\$158,074</u>	<u>\$102,102</u>	<u>\$ 273,746</u>	<u>\$ 618,611</u>	<u>\$1,002,460</u>	<u>\$3,289,277</u>



**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**

**Board of Supervisors
Lower Providence Township
Eagleville, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lower Providence Township, Eagleville, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 7, 2024. Our report includes a reference to other auditors who audited the financial statements of Lower Providence Sewer Authority (the "**Sewer Authority**"), as described in our report on the Township's financial statements. The financial statements of the Sewer Authority were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the discretely presented component unit or that are reported on separately by other auditors who audited the financial statements of the Sewer Authority.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

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

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.

BBD, LLP

**Philadelphia, Pennsylvania
August 7, 2024**