

UWCHLAN TOWNSHIP
FINANCIAL REPORT
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Uwchlan Township
Exton, Pennsylvania

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and aggregate remaining fund information of Uwchlan Township (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 as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the Township, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America (*Government Auditing Standards*). 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 the Township, 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 these 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 the Township'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 GAAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township’s basic financial statements. The combining non-major 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. In our opinion, the combining non-major 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 May 1, 2024, on our consideration of the Township’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Uwchlan Township’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
May 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Uwchlan Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Township exceeded its liabilities at the close of the calendar year by \$66,976,990 (net position).

- As of December 31, 2023, the Township's governmental activities reported a net position of \$38,132,434.
- As of December 31, 2023, the Township's business-type activities reported combined ending net position of \$28,844,556.
- The Township has general obligation debt totaling \$267,000.
- The Township's real estate tax rate is .12 mills.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and subsequent changes in the Township's financial position and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future.

GASB No. 34 establishes the required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Government-wide Financial Statements Fund Financial Statements
 - Notes to the Financial Statements
- Required Supplementary Information (other than MD&A)

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 supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements provide a broad overview of Uwchlan 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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon 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 result in cash flows only in future calendar periods (e.g., uncollected taxes).

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

- ***Governmental Activities*** - Most of the Township's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government, public safety, public works, health and human services and culture and recreation.
- ***Business-Type Activities*** - The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sewer services.

Fund Financial Statements

The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds are included in the financial report. All of the funds of the Township can be divided into three categories: Governmental, Proprietary and Fiduciary.

Governmental Funds - Most of the Township's basic services are reported in the Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The Governmental Funds financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental Funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to explain the differences between the Governmental Funds Balance Sheet and the Statement of Net Position, and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term.

Governmental Funds include the General Fund, the Special Revenue Funds - Water Fund (Major Fund), ARPA Grant Fund (Major Fund), Hydrant Fund, Liquid Fuels Fund, Public Safety Fund and Traffic Impact Fund (Nonmajor Funds) and the Capital Projects Funds - Capital Improvement Fund and Park Development Fund (Nonmajor Funds).

Proprietary Funds - When the Township charges for the services it provides, these services are generally reported in Proprietary Funds. Proprietary Funds (Enterprise) utilize accrual accounting, the same method used by private sector businesses. Enterprise Funds report activities that provide supplies and services to the general public - sewer services.

Fiduciary Funds - The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has two pension funds - Police and Non-Uniformed. The Township also has a custodial fund to account for assets that are collected and held by the Township until disbursed to appropriate organizations or individuals. These funds are reported using accrual accounting. The government-wide statements exclude Fiduciary Fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found within the financial report.

Other Information

This information includes combining financial statements for Non-major Governmental Funds. The funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the Governmental Funds financial statements.

Table 1 below shows the net position of the Township’s governmental and business-type activities. Assets exceeded liabilities by \$66,976,990 at December 31, 2023.

Table 1 - Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Assets						
Cash and investments	\$ 8,652,799	\$ 9,096,847	\$ 3,559,010	\$ 2,817,199	\$ 12,211,809	\$ 11,914,046
Other assets	2,519,237	899,899	(668,301)	883,103	1,850,936	1,783,002
Capital assets	44,038,941	43,515,958	28,151,174	28,965,839	72,190,115	72,481,797
Total assets	\$ 55,210,977	\$ 53,512,704	\$ 31,041,883	\$ 32,666,141	\$ 86,252,860	\$ 86,178,845
Deferred Outflows of Resources	\$ 5,547,776	\$ 6,691,186	\$ 453,075	\$ 538,745	\$ 6,000,851	\$ 7,229,931
Liabilities						
Other liabilities	\$ 15,924,347	\$ 20,797,510	\$ 1,738,528	\$ 2,525,962	\$ 17,662,875	\$ 23,323,472
Notes payable	133,500	197,500	133,500	197,500	267,000	395,000
Total liabilities	\$ 16,057,847	\$ 20,995,010	\$ 1,872,028	\$ 2,723,462	\$ 17,929,875	\$ 23,718,472
Deferred Inflows of Resources	\$ 6,568,472	\$ 3,652,365	\$ 778,374	\$ 345,018	\$ 7,346,846	\$ 3,997,383
Net Position (Deficit)						
Net investment in capital assets	\$ 43,685,921	\$ 43,073,096	\$ 28,017,674	\$ 28,768,339	\$ 71,703,595	\$ 71,841,435
Restricted	1,210,250	1,551,953	-	-	1,210,250	1,551,953
Unrestricted (deficit)	(6,763,737)	(9,068,534)	826,882	1,368,067	(5,936,855)	(7,700,467)
Total net position	\$ 38,132,434	\$ 35,556,515	\$ 28,844,556	\$ 30,136,406	\$ 66,976,990	\$ 65,692,921

The largest portion of the Township’s net position, \$71,703,595 is reflected in its investment in capital assets (land, buildings, equipment and infrastructure) less any related debt which is still outstanding. The Township uses these assets to provide services to residents; consequently, these assets are not available for future spending, and the resources needed to repay this debt must be provided from other sources. Cash and investments represent 18% of the Township’s total net position.

The change in net position in the governmental activities was an increase of \$2,575,919.

The net position of the business-type activities decreased by \$1,291,850.

Table 2 - Changes in Net Position

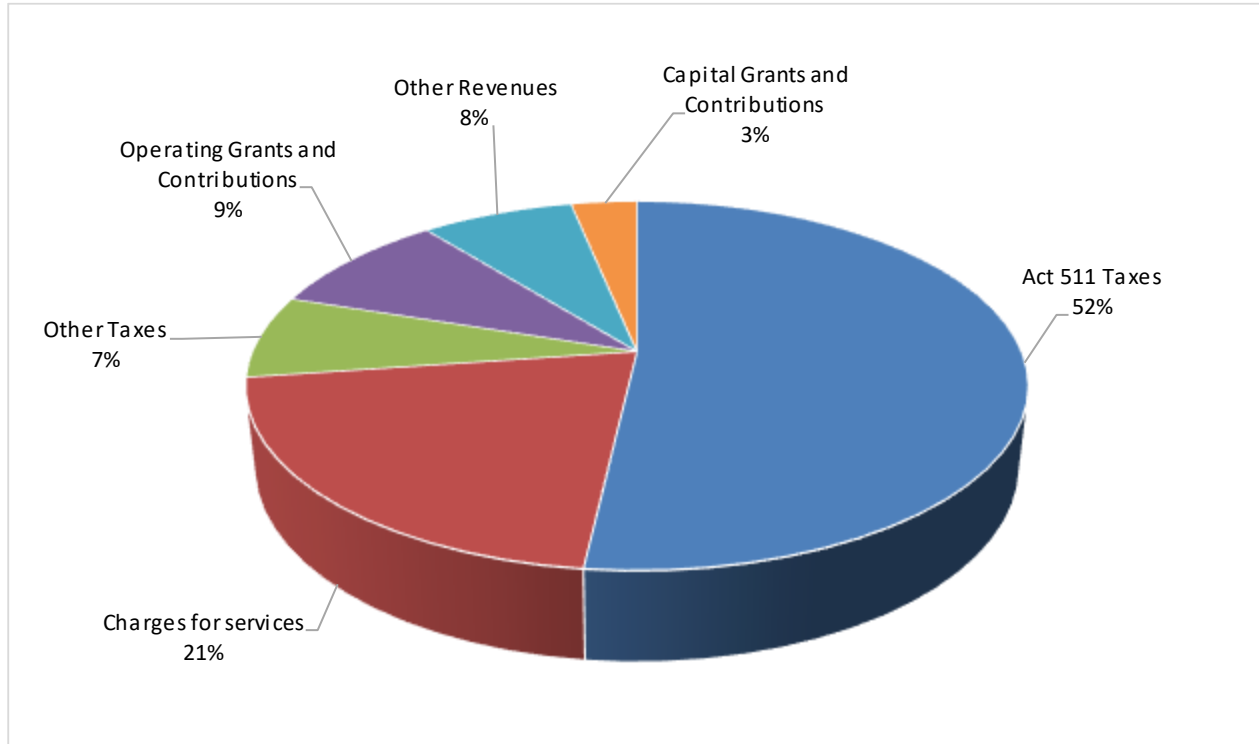
	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for services	\$ 3,490,239	\$ 3,133,710	\$ 3,927,739	\$ 3,952,443	\$ 7,417,978	\$ 7,086,153
Operating grants/contributions	1,530,479	1,388,399	-	-	1,530,479	1,388,399
Capital grants/contributions	542,366	38,315	-	-	542,366	38,315
General Revenues						
Taxes						
Real estate	190,710	191,868	-	-	190,710	191,868
Real estate transfer	1,024,181	754,021	-	-	1,024,181	754,021
Act 511	8,635,393	8,174,178	-	-	8,635,393	8,174,178
Cable TV franchise fees	366,556	381,481	-	-	366,556	381,481
Investment income (loss)	351,564	6,977	115,696	30,001	467,260	36,978
Gain (loss) on sale of fixed assets	29,657	24,052	-	(56,292)	29,657	(32,240)
Miscellaneous income	506,065	142,515	-	-	506,065	142,515
Total revenues	16,667,210	14,235,516	4,043,435	3,926,152	20,710,645	18,161,668
Expenses						
General government	1,750,867	1,520,564	-	-	1,750,867	1,520,564
Public safety	6,968,239	7,452,862	-	-	6,968,239	7,452,862
Health and human services	25,025	11,000	-	-	25,025	11,000
Public works						
Sanitation	1,899,645	1,950,589	-	-	1,899,645	1,950,589
Highways and streets	2,195,145	2,641,872	-	-	2,195,145	2,641,872
Culture and recreation, parks	1,147,474	895,510	-	-	1,147,474	895,510
Miscellaneous	94,577	227,223	-	-	94,577	227,223
Interest expense	10,319	8,091	-	-	10,319	8,091
Sewer operations	-	-	5,335,285	5,031,744	5,335,285	5,031,744
Total expenses	14,091,291	14,707,711	5,335,285	5,031,744	19,426,576	19,739,455
Change in net position	2,575,919	(472,195)	(1,291,850)	(1,105,592)	1,284,069	(1,577,787)
Net Position						
Beginning	35,556,515	36,028,710	30,136,406	31,241,998	65,692,921	67,270,708
Ending	\$ 38,132,434	\$ 35,556,515	\$ 28,844,556	\$ 30,136,406	\$ 66,976,990	\$ 65,692,921

Governmental Activities

The cost of all governmental activities in 2023 was \$14,091,291. The amount that the Township's taxpayers ultimately financed for these activities through Township taxes was \$9,850,284 or 59% of total revenues. Other costs were paid by those who directly benefited from the programs (\$3,490,239 or 21%) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$2,072,845 or 12%).

As indicated by governmental program expenses, public safety programs account for approximately 49% of the total expenses of the Township's governmental activities. General administration and highways/street services account for approximately 12% and 21%, respectively, of total expenses for 2023.

Real estate taxes, earned income taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Act 511 taxes, the earned income tax and the local services tax provide 59% of the governmental revenues. Real estate taxes and real estate transfer taxes provide approximately 1% and 6% of total revenues, respectively. The Township relies on these taxes to provide the quality of life to citizens and businesses to which the Board of Supervisors has always been committed.



Real estate transfer taxes collected in 2023 (\$1,024,181) increased from 2022 by \$ 270,160. A portion of the Audubon Land Development property was sold to Portman Associates.

Act 511 tax collections increased \$461,215 or 6%. According to Keystone Collections Group, our EIT tax collector, non-resident collections increased over past years, which contributed to the higher than normal increase.

In 2022, the Township received \$992,219 in federal ARPA (American Rescue Plan Act of 2021) funds. \$985,983.98 was received in 2021. These funds can be used for general governmental expenditures. All funds must be expended by December 31, 2024.

In 2023, the Township used \$747,461 of the ARPA funds for capital purchases, including upgrades to the township and police buildings, a new Fire Marshall vehicle, new police equipment, Public Works vehicles and equipment and Parks Department vehicles and equipment.

The Township is continuing to work with PEMA and FEMA to recoup a portion of the costs associated with Hurricane IDA in September of 2021. In 2023, we received \$177,625 for a portion of those costs.

Business-Type Activities

The Uwchlan Township Municipal Authority, at the request of the Township's Board of Supervisors, constructed major portions of the Uwchlan Township sewer system. Other portions of the sewer system were constructed by developers, in accordance with Municipal Authority and Township standards, and were dedicated to the Municipal Authority and later to the Township. The Municipal Authority owned the sewer system until 1993, when the Township defeased the bonds associated with sewer construction undertaken by the Authority. The Township has owned the sanitary sewer system since the bonds were defeased and has been responsible for the sewer system operation, maintenance and repair.

The Uwchlan Township Municipal Authority acquired the Eagleview Sewer Treatment Plant in November 2007. The Municipal Authority is now being presented in these financial statements as a component unit.

Residential properties in the Township pay \$99 per quarter for sewer rental. Commercial properties are charged according to water usage at a rate of \$6.60 per 1,000 gallons used. A connection/tapping fee assessed in accordance with recent state law modifications is charged when a new property ties into the system. The cost to connect to the Township Sewer system is \$4,945.01 per EDU. Commercial property EDUs are based on projected usage. Total operating revenues increased by \$117,283. Total operating expenses increased by \$303,541.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Township's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2023, the Township's Governmental Funds reported combined ending balances of \$10,079,673, an increase of \$1,881,472 as compared to the prior year.

The **General Fund** is the chief operating fund of Uwchlan Township. As of December 31, 2023, the total fund balance of the General Fund was \$4,501,972. The fund balance increased \$101,245 in fiscal year 2023.

The **Water Fund** holds the proceeds from the sale of the Water Authority in 1992. This fund provides funding for projects at the discretion of the Board of Supervisors. During 2023, debt repayment, subsidizing the Hydrant Fund for the payment of the stand-by hydrant fee, stormwater projects, and the construction of the Ted Gacomis Senior Park.

Cash and investments in the Water Fund totaled \$1,246,105.

The **ARPA Grant Fund** accounts for revenues and expenditures associated with the federal grant program of the American Rescue Plan Act of 2021. The ARPA Grant Fund reported revenues of \$747,462 and expenditures of \$747,462 in fiscal year 2023. Cash and cash equivalents totaled \$2,101,886 as of December 31, 2023. The **Capital Improvement Fund** provides funding for major capital expenditures of the Township. Resources consist of an annual transfer from the General Fund. Expenditures financed out of this fund in 2023, included computer maintenance and police equipment upgrades.

As of December 31, 2023, the fund balance of the Capital Improvement Fund was \$3,862,581, which is assigned for future capital expenditures. The General Fund transferred \$1,800,000 to the Capital Improvement Fund in 2023.

Special Revenue Funds are maintained to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These funds include Hydrant, State Liquid Fuel, Park Development, Public Safety and Traffic Funds. Major revenue sources for these funds include real estate taxes, grants from the Commonwealth and contributions from developers.

- **Hydrant Fund** - The Township collected \$51,743 in 2023 as compared to \$51,327 in 2022 in real estate taxes. A contribution from the Water Fund in the amount of \$105,000 subsidized the fund for the payments to Aqua PA for fire hydrant rental in the amount of \$154,624.
- **Liquid Fuels Fund** - The Township received \$610,420 in 2023 (\$593,036 in 2022) from the Commonwealth of Pennsylvania to pay for snow removal and other highway-related expenditures.
- **Park Development/Public Safety/Traffic Impact Funds** - A Traffic Impact Fee in the amount of \$342,510 was paid by Portman Industries for properties acquired on the Happy Days Farm tract.

Proprietary Funds

The Township's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors contributing to the finances of these funds have already been discussed in the section outlining the Township's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's budget and actual results can be found in the financial report.

Total taxes were over budget by \$1,356,041. Act 511 tax collections came in over budget by \$984,893. Real estate transfer taxes were over budget by \$374,181.

Interest/investment earnings were over budget by \$112,372. Higher interest rates on investments was the major factor affecting this line item.

Overall, actual revenues and other financing sources exceeded budget by \$2,433,525.

Total actual expenditures and other financing uses exceeded budget by \$2,049,684.

CAPITAL/RIGHT-TO-USE ASSETS AND DEBT ADMINISTRATION

Capital and Right-to-use Assets

The Township's investment in capital and right-to-use assets for its governmental and business-type activities as of December 31, 2023, amounts to \$72,190,115, net of accumulated depreciation/amortization. The investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, sanitary sewer, infrastructure and land improvements.

Table 3 - Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 5,413,289	\$ 5,413,289	\$ 644,373	\$ 644,373	\$ 6,057,662	\$ 6,057,662
Construction-in-progress	-	-	44,276	-	44,276	-
Buildings and improvements	8,991,215	8,084,762	-	-	8,991,215	8,084,762
Furniture and equipment	4,892,315	4,447,483	554,854	423,882	5,447,169	4,871,365
Infrastructure	60,829,755	61,156,302	-	-	60,829,755	61,156,302
Sanitary sewer	-	-	54,023,257	53,991,457	54,023,257	53,991,457
Right-to-use leased assets	270,495	270,495	-	-	270,495	270,495
Accumulated depreciation/amortization	(36,358,128)	(35,856,373)	(27,115,586)	(26,093,873)	(63,473,714)	(61,950,246)
Total capital assets, net	\$ 44,038,941	\$ 43,515,958	\$ 28,151,174	\$ 28,965,839	\$ 72,190,115	\$ 72,481,797

Major capital assets acquired during the current fiscal year included the following:

- Upgrades to the Township Administration and Police buildings, a new Fire Marshall vehicle, police equipment, public works and parks department vehicle and equipment purchases.

Long-Term Debt

As of December 31, 2023, the Township had \$267,000 in notes outstanding versus \$395,000 last year. Additional information about the Township's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS

Uwchlan Township is comprised of 10.40 square miles in the northcentral section of Chester County in the Philadelphia Primary Metropolitan Statistical Area, making it a part of the western suburbs of the City of Philadelphia. Municipalities immediately adjacent to Uwchlan Township include the townships of Upper Uwchlan, West Pikeland, West Whiteland, East Caln and East Brandywine.

The top three major employers in the Township are Downingtown Area School District, West Pharmaceuticals, and Insight PA Cyber Charter School.

The assessed valuation of the top three largest taxpayers based upon 2023 assessed valuation are Marchwood Associates (apartment building), \$28,171,987; Meridian at Eagleview (apartment building), \$27,000,000; and Claremont Apartments (apartment building), \$26,550,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Uwchlan Township's finances to the citizens of Uwchlan Township and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Susan M. Bernhard, Township Treasurer, Uwchlan Township, 715 North Ship Road, Exton, PA 19341-1940.

UWCHLAN TOWNSHIP

**STATEMENT OF NET POSITION
December 31, 2023**

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 4,430,999	\$ 1,899,472	\$ 6,330,471
Investments	4,221,800	1,659,538	5,881,338
Due from (to) other funds	1,861,468	(1,861,468)	-
Taxes receivable	18,130	-	18,130
Accounts receivable	562,028	1,097,767	1,659,795
Other receivables	63,516	-	63,516
Prepaid expenses	14,095	95,400	109,495
Total current assets	<u>11,172,036</u>	<u>2,890,709</u>	<u>14,062,745</u>
Capital Assets			
Land and construction-in-progress	5,413,289	688,650	6,101,939
Other capital assets, net of depreciation/amortization	38,625,652	27,462,524	66,088,176
Total capital assets	<u>44,038,941</u>	<u>28,151,174</u>	<u>72,190,115</u>
Total assets	<u><u>\$ 55,210,977</u></u>	<u><u>\$ 31,041,883</u></u>	<u><u>\$ 86,252,860</u></u>
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 2,538,582	\$ -	\$ 2,538,582
Deferred amounts on OPEB liability	3,009,194	453,075	3,462,269
Total deferred outflows of resources	<u><u>\$ 5,547,776</u></u>	<u><u>\$ 453,075</u></u>	<u><u>\$ 6,000,851</u></u>
Liabilities			
Accounts payable	\$ 455,935	\$ 99,154	\$ 555,089
Accrued salaries and benefits	127,412	13,536	140,948
Unearned revenue	321,854	-	321,854
Total current liabilities	<u>905,201</u>	<u>112,690</u>	<u>1,017,891</u>
Long-term liabilities			
Due within one year			
Leases payable	25,375	-	25,375
Notes payable	66,000	66,000	132,000
Compensated absences	31,983	6,418	38,401
Due in more than one year			
Leases payable	194,144	-	194,144
Notes payable	67,500	67,500	135,000
Compensated absences	143,597	26,771	170,368
Net pension liability	3,881,689	-	3,881,689
OPEB liability	10,742,358	1,592,649	12,335,007
Total long-term liabilities	<u>15,152,646</u>	<u>1,759,338</u>	<u>16,911,984</u>
Total liabilities	<u><u>\$ 16,057,847</u></u>	<u><u>\$ 1,872,028</u></u>	<u><u>\$ 17,929,875</u></u>
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 1,499,458	\$ -	\$ 1,499,458
Deferred amounts on OPEB liability	5,069,014	778,374	5,847,388
Total deferred inflows of resources	<u><u>\$ 6,568,472</u></u>	<u><u>\$ 778,374</u></u>	<u><u>\$ 7,346,846</u></u>
Net Position (Deficit)			
Net investment in capital assets	\$ 43,685,921	\$ 28,017,674	\$ 71,703,595
Restricted	1,210,250	-	1,210,250
Unrestricted (deficit)	(6,763,737)	826,882	(5,936,855)
Total net position	<u><u>\$ 38,132,434</u></u>	<u><u>\$ 28,844,556</u></u>	<u><u>\$ 66,976,990</u></u>

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 1,750,867	\$ -	\$ 747,462	\$ -	\$ (1,003,405)	\$ -	\$ (1,003,405)
Public safety	6,968,239	1,441,321	172,597	-	(5,354,321)	-	(5,354,321)
Health and human services	25,025	-	-	-	(25,025)	-	(25,025)
Public works							
Sanitation	1,899,645	2,043,428	-	-	143,783	-	143,783
Highways, roads and streets	2,195,145	5,490	610,420	367,366	(1,211,869)	-	(1,211,869)
Culture and recreation, parks	1,147,474	-	-	175,000	(972,474)	-	(972,474)
Miscellaneous	94,577	-	-	-	(94,577)	-	(94,577)
Unallocated interest expense	10,319	-	-	-	(10,319)	-	(10,319)
Total governmental activities	14,091,291	3,490,239	1,530,479	542,366	(8,528,207)	-	(8,528,207)
Business-Type Activities:							
Sewer	5,335,285	3,927,739	-	-	-	(1,407,546)	(1,407,546)
Total primary government	\$ 19,426,576	\$ 7,417,978	\$ 1,530,479	\$ 542,366	\$ (8,528,207)	\$ (1,407,546)	\$ (9,935,753)
General Revenues							
Real estate taxes					\$ 190,710	\$ -	\$ 190,710
Real estate transfer taxes					1,024,181	-	1,024,181
Act 511 taxes					8,635,393	-	8,635,393
Franchise taxes					366,556	-	366,556
Grants, subsidies and contributions not restricted					13,249	-	13,249
Investment income (loss)					351,564	115,696	467,260
Gain on sale of capital assets					29,657	-	29,657
Miscellaneous income					492,816	-	492,816
Total general revenues					11,104,126	115,696	11,219,822
Change in net position					2,575,919	(1,291,850)	1,284,069
Net Position - January 1, 2023					35,556,515	30,136,406	65,692,921
Net Position - December 31, 2023					\$ 38,132,434	\$ 28,844,556	\$ 66,976,990

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2023

	General Fund	Water Fund	ARPA Grant Fund	Capital Improvement Fund	Non-Major Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,255,193	\$ 35,109	\$ 2,101,886	\$ 522,817	\$ 515,994
Investments	3,010,804	1,210,996	-	-	-
Due from other funds	105,069	-	-	3,382,155	545,069
Taxes receivable	17,038	-	-	-	1,092
Accounts receivable	562,028	-	-	-	-
Other receivables	56,546	6,970	-	-	-
Prepaid expense	9,095	-	-	5,000	-
Total assets	\$ 5,015,773	\$ 1,253,075	\$ 2,101,886	\$ 3,909,972	\$ 1,062,155
Liabilities					
Due to other funds	\$ -	\$ 689,186	\$ 1,654,376	\$ -	\$ -
Accounts payable	353,261	11,952	-	47,391	25,773
Accrued salaries and benefits	127,412	-	-	-	-
Compensated absences	31,983	-	-	-	-
Unearned revenue	1,145	-	320,709	-	-
Total liabilities	513,801	701,138	1,975,085	47,391	25,773
Fund Balances					
Nonspendable	9,095	-	-	5,000	-
Restricted	-	551,937	126,801	-	531,512
Committed	849,876	-	-	-	-
Assigned	-	-	-	3,857,581	504,870
Unassigned	3,643,001	-	-	-	-
Total fund balances	4,501,972	551,937	126,801	3,862,581	1,036,382
Total liabilities and fund balances	\$ 5,015,773	\$ 1,253,075	\$ 2,101,886	\$ 3,909,972	\$ 1,062,155

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

December 31, 2023

Total fund balances - governmental funds	\$ 10,079,673
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in the governmental funds. The cost of assets is \$80,397,069 and the accumulated depreciation/amortization is \$36,358,128.

	44,038,941
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An Internal Service Fund is used by management to charge certain health benefit costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. The change is equal to the Internal Service Fund net position.

	155,179
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Deferred inflows and outflows of resources related to pensions are applicable to future periods and; therefore, are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnotes for detail):

Deferred outflows	2,538,582
Deferred inflows	(1,499,458)

Deferred outflows of resources related to OPEB are applicable to future periods and, therefore are not reported within the funds (see footnote for detail).

Deferred outflows	3,009,194
Deferred inflows	(5,069,014)

Long-term liabilities are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Notes payable	(133,500)	
Leases payable	(219,519)	
Compensated absences	(143,597)	
Other post-employment benefits liability	(10,742,358)	
Net pension liability	(3,881,689)	(15,120,663)

Total net position - governmental activities	\$ 38,132,434
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See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended December 31, 2023

	General Fund	Water Fund	ARPA Grant Fund	Capital Improvement Fund	Non-Major Governmental Funds
Revenues					
Taxes	\$ 9,798,541	\$ -	\$ -	\$ -	\$ 51,743
Licenses and permits	1,381,689	-	-	-	-
Fines, forfeits and costs	67,090	-	-	-	-
Investment income (loss)	172,372	52,717	101,510	21,222	3,742
Intergovernmental revenues	684,005	364,741	747,462	-	610,420
Charges for services and fees	2,087,483	-	-	-	-
Miscellaneous revenues	150,305	-	-	-	342,510
Total revenues	14,341,485	417,458	848,972	21,222	1,008,415
Expenditures					
Current					
General government	1,438,955	-	-	34,802	-
Public safety	6,876,306	-	-	-	154,624
Health and human services	25,025	-	-	-	-
Public works					
Sanitation	1,899,645	-	-	-	-
Highways, roads and streets	1,266,549	147,121	-	-	406,433
Culture and recreation, parks	858,421	-	-	-	-
Miscellaneous	94,578	-	-	-	-
Capital outlays					
General government	-	-	51,929	-	-
Public safety	-	-	251,154	7,000	-
Public works - sanitation	-	-	-	-	-
Public works - highways, roads and streets	-	-	260,233	-	-
Culture and recreation, parks	-	747,649	184,145	-	-
Debt service	29,411	70,750	-	-	-
Total expenditures	12,488,890	965,520	747,461	41,802	561,057
Excess (deficiency) of revenues over expenditures	1,852,595	(548,062)	101,511	(20,580)	447,358
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	48,650	-	-	-	-
Interfund transfers in (out)	(1,800,000)	(105,000)	-	1,800,000	105,000
Total other financing sources (uses)	(1,751,350)	(105,000)	-	1,800,000	105,000
Net change in fund balance	101,245	(653,062)	101,511	1,779,420	552,358
Fund Balances:					
January 1, 2023	4,400,727	1,204,999	25,290	2,083,161	484,024
December 31, 2023	\$ 4,501,972	\$ 551,937	\$ 126,801	\$ 3,862,581	\$ 1,036,382

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

December 31, 2023

Total fund balances - governmental funds	\$ 10,079,673
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in the governmental funds. The cost of assets is \$80,397,069 and the accumulated depreciation/amortization is \$36,358,128.

	44,038,941
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An Internal Service Fund is used by management to charge certain health benefit costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. The change is equal to the Internal Service Fund net position.

	155,179
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Deferred inflows and outflows of resources related to pensions are applicable to future periods and; therefore, are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnotes for detail):

Deferred outflows	2,538,582
Deferred inflows	(1,499,458)

Deferred outflows of resources related to OPEB are applicable to future periods and, therefore are not reported within the funds (see footnote for detail).

Deferred outflows	3,009,194
Deferred inflows	(5,069,014)

Long-term liabilities are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Notes payable	(133,500)
Leases payable	(219,519)
Compensated absences	(143,597)
Other post-employment benefits liability	(10,742,358)
Net pension liability	(3,881,689)
	<u>(15,120,663)</u>

Total net position - governmental activities	<u><u>\$ 38,132,434</u></u>
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See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2023

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Municipal Authority	Total	
Assets				
Cash and cash equivalents	\$ 894,589	\$ 1,004,883	\$ 1,899,472	\$ -
Investments	1,659,538	-	1,659,538	-
Receivables, net	1,090,623	7,144	1,097,767	-
Due from other funds	-	-	-	172,737
Prepaid expenses	95,400	-	95,400	-
Total current assets	3,740,150	1,012,027	4,752,177	172,737
Capital assets				
Land and construction-in-progress	451,499	237,151	688,650	-
Other capital assets, net of depreciation	22,667,855	4,794,669	27,462,524	-
Total capital assets	23,119,354	5,031,820	28,151,174	-
Total assets	\$ 26,859,504	\$ 6,043,847	\$ 32,903,351	\$ 172,737
Deferred Outflows of Resources				
Deferred amounts on OPEB liability	\$ 453,075	\$ -	\$ 453,075	\$ -
Total deferred outflows of resources	\$ 453,075	\$ -	\$ 453,075	\$ -
Liabilities				
Accounts payable	\$ 99,154	\$ -	\$ 99,154	\$ 17,558
Accrued salaries and benefits	13,536	-	13,536	-
Due to other funds	1,775,662	85,806	1,861,468	-
Total current liabilities	1,888,352	85,806	1,974,158	17,558
Long-term liabilities				
Due within one year				
Notes payable	66,000	-	66,000	-
Compensated absences	6,418	-	6,418	-
Due in more than one year				
Notes payable	67,500	-	67,500	-
Compensated absences	26,771	-	26,771	-
OPEB liability	1,592,649	-	1,592,649	-
Total long-term liabilities	1,759,338	-	1,759,338	-
Total liabilities	\$ 3,647,690	\$ 85,806	\$ 3,733,496	\$ 17,558
Deferred Inflows of Resources				
Deferred amounts on OPEB liability	\$ 778,374	\$ -	\$ 778,374	\$ -
Total deferred outflows of resources	\$ 778,374	\$ -	\$ 778,374	\$ -
Net Position (Deficit)				
Net investment in capital assets	\$ 22,985,854	\$ 5,031,820	\$ 28,017,674	\$ -
Unrestricted (deficit)	(99,339)	926,221	826,882	155,179
Total net position	\$ 22,886,515	\$ 5,958,041	\$ 28,844,556	\$ 155,179

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS

Year Ended December 31, 2023

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Municipal Authority	Total	
Operating Revenues				
Charges for services	\$ 3,864,359	\$ 63,380	\$ 3,927,739	\$ -
Total operating revenues	3,864,359	63,380	3,927,739	-
Operating Expenses				
Administration	-	238	238	-
Advertising	2,354	-	2,354	-
Insurance claims	-	-	-	70,710
Communications expenses	34,280	-	34,280	-
Depreciation	802,398	219,315	1,021,713	-
Employee benefits	463,160	-	463,160	-
Engineering	215,924	-	215,924	-
General expenses	74,833	-	74,833	-
Insurance	38,507	-	38,507	-
Maintenance	33,520	26,467	59,987	-
Payments to other municipalities	2,352,478	-	2,352,478	-
Purchased professional services	107,128	-	107,128	-
Salaries	887,882	-	887,882	-
Supplies	39,358	-	39,358	-
Uniforms	1,996	-	1,996	-
Utilities	28,697	-	28,697	-
Total operating expenses	5,082,515	246,020	5,328,535	70,710
Operating loss	(1,218,156)	(182,640)	(1,400,796)	(70,710)
Nonoperating Income (Expense)				
Investment income (loss)	93,836	21,860	115,696	-
Interest expense	(6,750)	-	(6,750)	-
Nonoperating income	87,086	21,860	108,946	-
Change in net position	(1,131,070)	(160,780)	(1,291,850)	(70,710)
Net Position:				
January 1, 2023	24,017,585	6,118,821	30,136,406	225,889
December 31, 2023	\$ 22,886,515	\$ 5,958,041	\$ 28,844,556	\$ 155,179

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended December 31, 2023

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Municipal Authority	Total	
Cash Flows From Operating Activities				
Cash received from customers	\$ 3,827,478	\$ 63,380	\$ 3,890,858	\$ -
Payments to suppliers	(1,512,612)	(86,975)	(1,599,587)	-
Payments to employees	(1,387,358)	-	(1,387,358)	-
Net cash provided by (used in) operating activities	927,508	(23,595)	903,913	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(162,772)	(44,276)	(207,048)	-
Principal paid on borrowings	(64,000)	-	(64,000)	-
Interest paid on borrowings	(6,750)	-	(6,750)	-
Net cash used in capital and related financing activities	(233,522)	(44,276)	(277,798)	-
Cash Flows From Investing Activities				
Earnings on investments	93,343	21,315	114,658	-
Purchase of investments	(75,104)	-	(75,104)	-
Sale of investments	-	750,000	750,000	-
Net cash provided by investing activities	18,239	771,315	789,554	-
Net change in cash and cash equivalents	712,225	703,444	1,415,669	-
Cash and Cash Equivalents:				
January 1, 2023	182,364	301,439	483,803	-
December 31, 2023	\$ 894,589	\$ 1,004,883	\$ 1,899,472	\$ -

(Continued)

UWCHLAN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
 Year Ended December 31, 2023

	Enterprise Funds			Internal Service Fund
	Sewer Fund	Municipal Authority	Total	
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (1,218,156)	\$ (182,640)	\$ (1,400,796)	\$ (70,710)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	802,398	219,315	1,021,713	-
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(36,881)	-	(36,881)	-
Due from other funds	-	-	-	61,821
Prepaid expenses	(13,816)	-	(13,816)	-
Deferred outflows of resources	85,670	-	85,670	-
(Decrease) increase in:				
Accounts payable	(205,745)	(26,347)	(232,092)	8,889
Accrued salaries and benefits	(2,185)	-	(2,185)	-
Due to other funds	1,636,024	(33,923)	1,602,101	-
OPEB liability	(550,040)	-	(550,040)	-
Compensated absences	(3,117)	-	(3,117)	-
Deferred inflows of resources	433,356	-	433,356	-
Net cash provided by (used in) operating activities	\$ 927,508	\$ (23,595)	\$ 903,913	\$ -
Supplemental Disclosures				
Noncash investing activities				
Net increase in fair value of investments	\$ 493	\$ 545	\$ 1,038	\$ -

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
December 31, 2023

	Pension Trust Funds		Custodial Funds
	Police Pension Fund	Non-Uniformed Pension Fund	Fire Insurance and Developer Escrows
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 1,337,076
Investments, at fair value	14,285,958	6,815,719	-
Prepaid expenses	103,179	-	-
Total assets	\$ 14,389,137	\$ 6,815,719	\$ 1,337,076
Net Position			
Restricted for:			
Pensions	\$ 14,389,137	\$ 6,815,719	\$ -
Individuals and organizations	-	-	1,337,076
Total net position	\$ 14,389,137	\$ 6,815,719	\$ 1,337,076

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
Year Ended December 31, 2023

	Pension Trust Funds		Custodial Funds
	Police Pension Fund	Non-Uniformed Pension Fund	Fire Insurance and Developer Escrows
Additions			
Contributions			
Commonwealth of Pennsylvania	\$ 194,968	\$ -	\$ -
Employer	305,647	246,959	-
Members	76,979	95,429	-
Escrow receipts	-	-	1,195,500
Total contributions	577,594	342,388	1,195,500
Investment income			
Net appreciation in fair value of investments	1,720,960	1,029,306	-
Interest and dividends	365,087	-	27,252
Investment expense	(33,004)	(26,991)	-
Net investment income	2,053,043	1,002,315	27,252
Total additions	2,630,637	1,344,703	1,222,752
Deductions			
Benefits paid	1,157,552	-	-
Withdrawals, members	-	896,015	-
Administrative expenses	17,906	19,950	-
Escrow payments	-	-	33,720
Total deductions	1,175,458	915,965	33,720
Change in fiduciary net position	1,455,179	428,738	1,189,032
Net Position:			
January 1, 2023	12,933,958	6,386,981	148,044
December 31, 2023	\$ 14,389,137	\$ 6,815,719	\$ 1,337,076

See Notes to Financial Statements.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

The accounting and reporting policies of Uwchlan Township (the Township) conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's "Codification of Governmental Accounting and Financial Reporting Standards" (GASB Codification). The following summarizes the Township's significant accounting policies.

A. Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. The Township did consider its relationship with the Uwchlan Township Industrial Authority (UTIDA) but determined the overall impact of UTIDA to be insignificant to the operations of the Township and to this presentation and due to the lack of financial interdependency between the two entities. Based upon the application of these criteria, Uwchlan Township is considered to be an independent reporting entity.

B. Blended Component Unit

The Uwchlan Township Municipal Authority is a public authority, which exists to provide certain facilities for use in the sewer operations of the Township Sewer Fund and to hold certain investments from the sale of prior sewer operations. The Authority is considered a blended component unit and is shown in the financial statements as part of the primary government Proprietary Funds.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrate the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Township complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported in the Statement of Net Position.

Governmental-fund financial statements are reported using the current financial resources-measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific Township expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Township reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The Township reduces committed amounts first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Township reports the following governmental funds:

General Fund - to account for all financial resources, except those required to be accounted for in another fund. Township revenues are derived primarily from earned income taxes, real estate taxes, licenses and permits, departmental earnings and intergovernmental grants. Some of the important activities accounted for in the General Fund are Township operations pertaining to general government, police and fire protection and street maintenance.

Special Revenue Funds - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds of the Township are:

Liquid Fuels Fund - to account for state aid revenues used primarily for building, improving and maintaining Township streets and bridges.

Public Safety Fund - to account for revenues received from developers for the study of traffic problems caused by increased development.

Hydrant Fund - to account for assessments levied on real estate within the Township for fire hydrant purposes.

Water Fund - to account for proceeds received as a result of the sale of the Water Authority assets and subsequent investment of the funds. The water fund is included in the financial statements as a major fund.

Traffic Impact Fund - to account for revenues received from developers to be used for road projects associated with increased development and growth in the Township.

ARPA Grant Fund - to account for revenues and expenditures associated with the federal grant program of the American Rescue Plan Act. The ARPA Grant Fund is included in the financial statements as a major fund.

Capital Projects Funds - to account for financial resources to be used for acquisition or construction of major capital facilities. Capital projects funds of the Township are:

Capital Improvement Fund - to account for financial resources to be used for acquisition, construction, or improvement of major capital facilities for general government purposes. The Capital Improvement Fund is included in the financial statements as a major fund.

Park Development Fund - to account for financial resources to be used for acquisition, construction, or improvement of public parks in the Township.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government reports the following proprietary funds:

Sewer Fund (an enterprise fund) - to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing good or services to the general public on a continuing basis be financed or recovered primarily through user charges. The revenues collected in this fund are legally restricted according to the terms of the lease agreement with the Uwchlan Township Municipal Authority.

Municipal Authority (an enterprise fund) - a blended component unit of the Township which provides certain facilities and assets for use in the sewer operations.

Self-Insurance Fund (an internal service fund) - assets held by the Township to be used for payment of certain benefits.

Additionally, the government reports the following fiduciary funds:

Police Pension Fund (a trust fund) - to account for assets held by the Township in a trustee capacity. This nonexpendable trust fund is accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary funds explained above.

Non-Uniformed Pension Fund (a trust fund) - to account for assets held by the Township in a trustee capacity. This nonexpendable trust fund is accounted for on a spending or "economic resources" measurement focus and the accrual basis of account, as are the proprietary funds explained above.

Fire Insurance and Developer Escrows Fund (a custodial fund) - to account for assets that are collected and held by the Township until disbursed to appropriate organizations or individuals.

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The internal service fund of the Township (which provides services primarily to other funds of the Township) is presented, in summary form, as part of the proprietary funds financial statements. Since the principal users of the internal services are the Township's governmental activities, financial activities of the internal service fund are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function in the Statement of Activities.

When both restricted and unrestricted resources are available for use in certain programs, it is the Township's policy to apply cost-reimbursement grant resources first to those programs, followed by general revenues as they are needed.

E. Budgets and Budgetary Accounting

The Township's Board of Supervisors approves, by resolution, total budget appropriations only. The Township Manager is authorized to transfer budget amounts between departments within the General Fund; however, any appropriations that exceed the total budget appropriations for the year of any fund are approved by the Board of Supervisors by resolution at the conclusion of the year. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis. Unused appropriations lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance

Cash Equivalents: The Township considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are recorded at fair value or amortized cost, depending on the investment type, consistent with generally accepted accounting principles. Unrealized appreciation or depreciation due to changes in the fair value of investments recorded at fair value is recognized annually.

Due to/from Other Funds: Activity between funds that is representative of lending and borrowing arrangements outstanding at the end of the year is referred to as "due to/from other funds." These transactions are recorded in the fund financial statements and are they year-end outstanding balance (current portion) of a variety of transactions between funds to finance operations, service debt and otherwise meet obligations as they become due. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Continued)

Capital Assets and Depreciation: Capital assets, are tangible and intangible assets, including property, plant, equipment, infrastructure and right-to-use lease assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost or estimated historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in a subsequent note relating to Leases). Estimated historical costs are based either on similar assets of the same era or on deflated current values. 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 the asset's life are not capitalized. Intangible assets follow the same capitalization policies as tangible assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Capital assets of the Township and its components are depreciated/amortized using the straight-line method over the estimated useful lives of the related assets. Unless an asset's life has been adjusted based on actual experience, the Township generally uses the following estimated useful lives:

Asset Class	Years
Infrastructure	20
Sewer system	75
Land improvements	20-75
Utility systems	5-30
Buildings and building improvements	40
Vehicles and small equipment	10
Equipment	20

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The Township recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The Township has identified these items in subsequent notes to the financial statements.

Long-Term Debt: In the government-wide financial statements, and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. In the fund financial statements, governmental fund types, the face amount of the debt issued is reported as other financing sources.

Compensated Absences: Non-uniformed employees earn vacation annually and are permitted to carry over up to ten days of unused vacation time. Additionally, all employees receive twelve sick days per year. The sick days are accumulated at a rate of twelve sick days per year to a maximum of forty-five sick days. Sick days are earned and used according to the employee's daily work schedule. Employees who terminate their employment shall be paid for their unused sick leave for accumulated days up to forty-five at a rate of one-third of their accumulated days.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Continued)

Leases: The Township is a lessee for non-cancellable leases of buildings and equipment. A lease liability and an intangible right-to-use lease asset is recognized in the government-wide financial statements. The Township considers all leases above their capitalization policy for recognition. Leases that are material individually or in aggregate are recognized.

At the commencement of a lease, the Township initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Township determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The Township uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Township generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Township is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Interfund Activity: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The Township recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has identified these items in subsequent notes to the financial statements.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Continued)

Fund Balance:

The Township's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of Township Supervisors, the Township's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

G. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the Township's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended December 31, 2023:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnerships. The adoption of this pronouncement was determined not to have a material impact on the Township's beginning balances and current year results.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. New Accounting Pronouncements (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) 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. The adoption of this pronouncement was determined not to have a material impact on the Township's beginning balances and current year results.

GASB Statement No. 99, *Omnibus 2022*, is effective for the Township in fiscal years ending between December 31, 2023 and 2024, depending on the topics addressed and their relation to other standards. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The adoption of this pronouncement was determined not to have a material impact on the Township's beginning balances and current year results.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will be effective for the Township beginning with its year ending December 31, 2024 (fiscal years beginning after June 15, 2023). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Township beginning with its year ending December, 31, 2024 (fiscal years beginning after December 15, 2023). This Statement requires 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.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the Township beginning with its year ending December 31, 2025. This Statement provides users of government financial statements with essential information about risk related to a government's vulnerabilities due to certain concentrations or constraints.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Other

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

Subsequent Events: In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through May 1, 2024, the date the financial statements were available to be issued. See Note 14.

Note 2. Deposits and Investments

The Second Class Township Code authorizes the Township to invest in:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government and Federal agencies
- Deposits in savings accounts or time deposits of institutions that are insured by the Federal Deposit Insurance Corporation (FDIC)
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 if the only investments of that company are authorized investments for Township funds
- Certificates of deposit purchased from institutions insured by the FDIC

The deposit and investment policies of the Township adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or Township policies.

All deposits of the Township are either insured or collateralized. All deposits that exceed the Federal depository insurance coverage level are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities maintained in conformity with Act 72 of 1971. Act 72 of 1971 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgers of the assets. The Township has no policy regarding custodial credit risk for deposits.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. At December 31, 2023, the carrying amount of the Township's deposits was \$4,663,105 and the bank balance was \$5,003,979. Of the bank balance, \$1,191,551 was covered by federal depository insurance and \$3,812,428 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the Township's name.

Police and Non-Uniformed Pension Plan deposits are disclosed separately in Notes 9 and 10.

Investments

At December 31, 2023, the Township's investment balances were as follows:

Investment Type	Investment Maturities				
	Carrying Value	Less Than One Year	1 to 5 Years	6 to 10 Years	More Than Ten Years
U.S. Treasury notes	\$ 779,474	\$ 170,429	\$ 609,045	\$ -	\$ -
Governmental National Mortgage Association (GNMA)	428,558	607	47,907	87,481	292,563
Pennsylvania Local Government Investment Trust (PLGIT)					
PLGIT - Class Shares	902,558	902,558	-	-	-
PLGIT - Reserve-Class Shares	2,101,887	2,101,887	-	-	-
Federated Government Obligations Fund	4,673,306	4,673,306	-	-	-
	<u>\$ 8,885,783</u>	<u>\$ 7,848,787</u>	<u>\$ 656,952</u>	<u>\$ 87,481</u>	<u>\$ 292,563</u>

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

U.S. Treasury notes are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. GNMA's have an explicit guarantee. These investments are not registered with the Securities and Exchange Commission and not subject to regulatory oversight. Both U.S. Treasury notes and GNMA's are reported at fair value as Level 1 investments under GASB Statement No. 72.

Certain external pool investments held by the Township, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The Township measures those investments, which include PLGIT - Class Shares and PLGIT - Reserve-Class shares, at amortized cost.

The PLGIT fund invests in U.S. Treasury and agency securities and repurchase agreements secured by such obligations, and certain municipal obligations and collateralized or insured-certificates of deposit. Weighted-average, portfolio maturity for the fund is expected to be kept at or below 60 days. This fund has a credit rating of AAAM.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The PLGIT - Class Shares is an option, within the PLGIT fund, which requires no minimum balance, no minimum initial investment, and a one day minimum investment period. Dividends are paid monthly.

The PLGIT - Reserve-Class Shares is an option, within the PLGIT fund, which requires a minimum investment of \$50,000, a one day minimum investment period, and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period and dividends are paid monthly.

The Federated Government Obligations Fund is a government money market fund which invests in a portfolio of short-term U.S. Treasury and U.S. Government Agency securities. All securities within this fund have maturity dates of less than one year, a credit rating of AAAM, and are reported at fair value as Level 2 investments under GASB Statement No. 72.

Interest Rate Risk: The Township has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Allowable investment holdings under the Township's investment policy are limited to U.S. Treasury notes/bonds with a maximum average maturity at time of purchase of five years and GNMA holdings with a maximum final maturity of 15 years and a maximum average life of seven years.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Township manages its custodial credit risk through requiring that its broker-dealer or custodian shall be a member in good standing of the Securities Investor Protection Corporation, established under the Securities Investor Protection Act of 1970 and, additionally, provide a certificate of insurance demonstrating that a surety bond be maintained in the amount of 125% of the value of the Township's assets at any given time.

Credit Risk: The Township has an investment policy which limits investment choices to those which are backed by the full faith and credit of the U.S. Government through either an explicit or implied manner.

Concentration Risk: The Township's investments are not subject to concentration risk.

Police and Non-Uniformed Pension Plan investments are disclosed separately in Notes 9 and 10.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 3. Taxes

Based upon assessed valuations provided by Chester County, the municipal tax collector bills and collects property taxes on behalf of the Township. The schedule for property taxes levied for 2023, is as follows:

March 1, 2023	Tax Levy Date
Through April 30, 2023	Discount Period
Through June 30, 2023	Face Payment Period
Subsequent to July 1, 2023	Penalty Period
December 31, 2023	Lien Date

For 2023, the taxable assessed valuation of real estate and tax levied are as follows:

	Taxable Assessed Valuation of Real Estate	Tax Levied
General purposes	\$ 1,584,583,294	.085 mills
Fire hydrants	\$ 1,533,325,429	.035 mills

Other taxes levied in 2023, included the following:

Transfer tax	0.5%
Earned income tax	0.5%
Local services tax	\$52 per working person

Note 4. Receivables

Receivables at December 31, 2023, consisted of the following:

	General Fund	Water Fund	Non-Major Governmental Funds	Total Governmental Activities
Receivables:				
Taxes receivable	\$ 17,038	\$ -	\$ 1,092	\$ 18,130
Accounts receivable - trash fees	562,028	-	-	562,028
Other receivables:				
Recoverable disbursements and other	43,175	-	-	43,175
Interest	13,371	6,970	-	20,341
	<u>\$ 635,612</u>	<u>\$ 6,970</u>	<u>\$ 1,092</u>	<u>\$ 643,674</u>

	Sewer Fund	Municipal Authority	Total Business-Type Activities
Receivables:			
Accounts receivable - sewer fees	\$ 1,083,253	\$ -	\$ 1,083,253
Interest receivable	7,370	7,144	14,514
	<u>\$ 1,090,623</u>	<u>\$ 7,144</u>	<u>\$ 1,097,767</u>

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Balances and Interfund Transfers

The Township reports interfund balances between the governmental, enterprise, internal service and fiduciary funds. Individual fund receivable and payable balances at December 31, 2023, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 105,069	\$ -
Water	-	689,186
Capital Improvement	3,382,155	-
Park Development	18,997	-
Hydrant	30,700	-
Public Safety	9,499	-
Traffic Impact	485,873	-
ARPA Grant	-	1,654,376
Internal Service Fund - Self-Insurance	172,737	-
Proprietary Funds		
Sewer	-	1,775,662
Municipal Authority	-	85,806
	\$ 4,205,030	\$ 4,205,030

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within the following year.

Interfund transfers for the year ended December 31, 2023, are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds		
General	\$ -	\$ 1,800,000
Water	-	105,000
Hydrant	105,000	-
Capital Improvement	1,800,000	-
	\$ 1,905,000	\$ 1,905,000

These transfers are initiated in the normal course of operations to address individual fund needs throughout the year.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

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

	January 1, 2023	Additions	Deletions	December 31, 2023
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 5,413,289	\$ -	\$ -	\$ 5,413,289
Total capital assets not being depreciated/amortized	5,413,289	-	-	5,413,289
Capital assets being depreciated/amortized				
Buildings and building improvements	8,084,762	906,453	-	8,991,215
Furniture and equipment	4,447,483	595,658	(150,826)	4,892,315
Infrastructure	61,156,302	648,067	(974,614)	60,829,755
Right-to-use leased building	200,153	-	-	200,153
Right-to-use leased equipment	70,342	-	-	70,342
Total capital assets being depreciated/amortized	73,959,042	2,150,178	(1,125,440)	74,983,780
Less accumulated depreciation/amortization				
Buildings and building improvements	5,120,629	331,238	-	5,451,867
Furniture and equipment	2,804,588	315,525	(131,833)	2,988,280
Infrastructure	27,900,111	930,394	(974,614)	27,855,891
Right-to-use leased building	13,964	13,964	-	27,928
Right-to-use leased equipment	17,081	17,081	-	34,162
Total accumulated depreciation/amortization	35,856,373	1,608,202	(1,106,447)	36,358,128
Total capital assets being depreciated/amortized, net	38,102,669	541,976	(18,993)	38,625,652
Governmental Activities				
Capital assets, net	\$ 43,515,958	\$ 541,976	\$ (18,993)	\$ 44,038,941
Business-Type Activities				
Capital assets not being depreciated/amortized				
Municipal sewer land	\$ 644,373	\$ -	\$ -	\$ 644,373
Construction-in-progress	-	44,276	-	44,276
Total capital assets not being depreciated/amortized	644,373	44,276	-	688,649
Capital assets being depreciated/amortized				
Furniture and equipment	423,882	130,972	-	554,854
Sewer system	53,991,457	31,800	-	54,023,257
Total capital assets being depreciated/amortized	54,415,339	162,772	-	54,578,111
Less accumulated depreciation/amortization				
Furniture and equipment	227,493	777,887	-	1,005,380
Sewer system	25,866,380	243,826	-	26,110,206
Total accumulated depreciation/amortization	26,093,873	1,021,713	-	27,115,586
Total capital assets being depreciated/amortization, net	28,321,466	(858,941)	-	27,462,525
Business-Type Activities				
Capital assets, net	\$ 28,965,839	\$ (814,665)	\$ -	\$ 28,151,174

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

	Amount
Governmental Activities:	
General government	\$ 135,230
Public safety	182,856
Public works, highways and streets	1,008,905
Culture and recreation, parks	281,211
Total depreciation expense - governmental activities	\$ 1,608,202
 Business-Type Activities:	
Sewer	\$ 1,021,713

Note 7. Long-Term Obligations

The following is a summary of changes in long-term liabilities of the Township for the year ended December 31, 2023:

	January 1, 2023	Increases	Decreases	December 31, 2023	Due within one year
2005 Series C Note	\$ 395,000	\$ -	\$ (128,000)	\$ 267,000	\$ 132,000
Leases payable	245,361	-	(25,842)	219,519	25,375
Compensated absences	252,207	-	(43,438)	208,769	38,401
Total Long-Term Obligations	\$ 892,568	\$ -	\$ (197,280)	\$ 695,288	\$ 195,776
 Reported in					
Governmental activities	\$ 658,762	\$ -	\$ (130,163)	\$ 528,599	\$ 123,358
Business-type activities	233,806	-	(67,117)	166,689	72,418
Total Long-Term Obligations	\$ 892,568	\$ -	\$ (197,280)	\$ 695,288	\$ 195,776

Notes Payable

On July 25, 2005, Uwchlan Township issued a General Obligation Note, Series C of 2005 in the amount of \$970,000. The proceeds from this note were used to partially fund the purchase of 75,000 gallons of sewer capacity at the regional sewer facility from the Borough of Downingtown and for the Uwchlan Township building renovations. As of December 31, 2023, the note had a principal balance of \$267,000 remaining. The note is amortized over 20 years and bears interest at a weekly variable rate not to exceed 25%. Annual principal payments range from \$111,000 to \$135,000 through July 2025.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Notes Payable (Continued)

Scheduled repayments of interest and principal of the 2005 Series C Note as of December 31, 2023, are as follows:

Year ending December 31:	Governmental Activities	
	Principal	Interest
2024	\$ 66,000	\$ 2,700
2025	67,500	-
	<u>\$ 133,500</u>	<u>\$ 2,700</u>

Year ending December 31:	Proprietary Fund - Sewer Debt	
	Principal	Interest
2024	\$ 66,000	\$ 2,700
2025	67,500	-
	<u>\$ 133,500</u>	<u>\$ 2,700</u>

Leases Payable

The Township leases equipment and buildings which are located throughout the Township. The remaining lease terms vary by individual lease agreement. The Township's equipment and building leases contain scheduled monthly payments with expiration dates extending through 2035. Leases payables are fully funded by the general fund.

The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year as of December 31, 2023:

Year ending December 31:	Principal	Interest	Total
2024	\$ 25,375	\$ 4,045	\$ 29,420
2025	21,613	3,667	25,280
2026	21,751	3,290	25,041
2027	12,115	2,979	15,094
2028	12,975	2,722	15,697
2029 - 2033	79,322	9,104	88,426
2034 - 2038	46,368	1,174	47,542
	<u>\$ 219,519</u>	<u>\$ 26,981</u>	<u>\$ 246,500</u>

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 8. Expenditures over Appropriations

For the year ended December 31, 2023, expenditures over appropriations were as follows:

	Amount
Administration	\$ 63,473
Tax collection	11,797
General government buildings and plant	63,963
Fire	163,901
Zoning	30,169
Snow removal	877
Traffic signals and signs	7,533
Street lighting	2,497
Highway maintenance	135,188
Culture and recreation, parks	23,798
Debt service	29,411

The variances noted above were based on decisions of the Township throughout the year as revenues exceeded expectations.

Note 9. Police Pension Plan

Plan Description

The Township administers the Police Pension Plan - a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Management of the Police Pension Plan is vested in the Police Pension Board of Trustees, which consists of seven members appointed by the Township. The Police Pension Board of Trustees is responsible for managing, investing and monitoring the Township's Police Pension Fund.

Plan Membership

At December 31, 2023, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	23 ¹
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	19
	<u>42</u>

¹ Includes 0 members in the DROP

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Police Pension Plan (Continued)

Benefits Provided

The Plan provides retirement, disability and death benefits. A Plan member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month for members who complete 26 or more years of service. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires.

A member is eligible for early retirement after completion of 20 years of service. The monthly early retirement pension is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

If an active member suffers a service-related disability, they are eligible for disability retirement. The disability retirement is payable monthly equal to 50% of the member's monthly salary at the time of disability, reduced by any Social Security disability benefits received by the member for the same injuries.

An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program (DROP) for a period of not more than 3 years. The date of participation in the DROP must be within 3 years of the date the member meets the eligibility requirements for normal retirement. His monthly pension shall be calculated as of his date of participation in the DROP and shall be accumulated with the annual rate of return of the Trust (subject to a minimum return of 0% and a maximum return of 4.5% during each full calendar year). The DROP account shall be distributed to the member in a lump sum at retirement.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of his death.

A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination. The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the years of service to date to the total number of years of service projected at normal retirement.

The benefit provisions of the Plan are established by Township ordinances.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Police Pension Plan (Continued)

Contributions

Effective January 1, 2021, the Township's police employees contribute 3.0% of compensation. Member contributions are credited with 5.5% annual interest. The Township is required to contribute the remaining amounts necessary to fund the Plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the Plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the Plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contribution, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Township was required to contribute \$500,615 to the Plan for the year 2023. The Township's actual share of contributions for the Plan year was \$305,647.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the Plan and funded through the MMO and/or Plan earnings.

Deposits and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2023, the Plan's deposits were \$-0-.

Investments

Methods Used to Value Investments: Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment Policy: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50.00%
International equity	15.00%
Fixed income	35.00%
	<u>100.00%</u>

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Police Pension Plan (Continued)

Deposits and Investments (Continued)

Investments (Continued)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of December 31, 2023, (see the Plan’s investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.50% - 7.50%
International equity	4.50% - 6.50%
Fixed income	1.00% - 3.00%

The investment objective of the Uwchlan Township Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

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

Investment Type	Maturity	Fair Value
Domestic equity mutual funds	Less than one year	\$ 5,568,620
International equity mutual funds	Less than one year	3,740,383
Fixed income mutual funds	Less than one year	4,976,955
		\$ 14,285,958

The Police Pension Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments are reported at fair value as Level 1 investments under GASB Statement No.72.

Interest Rate Risk: The Police Pension Plan has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Allowable investment holdings under the Township’s investment policy are limited to the U.S. Treasury note/bonds with a maximum maturity at time of purchase of 15 years and GNMA holdings with a maximum maturity at time of purchase of 15 years.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Police Pension Plan (Continued)

Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Police Pension Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The pension plan manages its custodial credit risk through requiring that its custodian shall be a member in good standing of the Securities Investor Protection Corporation, established under the Securities Investor Protection Act of 1970 and, additionally, provide a certificate of insurance demonstrating that a surety bond be maintained in the amount of 125% of the value of the pension plan assets at any given time.

Credit Risk: The Police Pension Plan does not have an investment policy which limits investment choices to those with specific credit ratings.

Concentration Risk: More than 5% of the Township's investments are in mutual funds. These investments are 100% of the Plan's total investments.

Rate of Return: For the year ended December 31, 2023, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 16.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability reported at December 31, 2023, was measured as of December 31, 2023, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

Changes in the total pension liability, plan fiduciary net position, and net pension liability during the current year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 17,873,910	\$ 12,933,958	\$ 4,939,952
Service cost	317,390	-	317,390
Interest cost	1,027,728	-	1,027,728
Changes for experience	209,350	-	209,350
Contributions - employer	-	500,615	(500,615)
Contributions - member	-	76,979	(76,979)
Net investment income (loss)	-	2,053,043	(2,053,043)
Benefit payments, including refunds	(1,157,552)	(1,157,552)	-
Administrative expense	-	(17,906)	17,906
Net changes	396,916	1,455,179	(1,058,263)
Balances at December 31, 2023	\$ 18,270,826	\$ 14,389,137	\$ 3,881,689

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Police Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2023, the Township recognized pension expense of \$257,267. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 179,442	\$ 262,948
Changes of assumptions	51,523	-
Net difference between projected and actual investment earnings	2,307,617	1,236,510
	<u>\$ 2,538,582</u>	<u>\$ 1,499,458</u>

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

Year ending December 31:	Amount
2024	\$ 244,937
2025	401,317
2026	511,598
2027	(178,543)
2028	29,907
Thereafter	29,908
	<u>\$ 1,039,124</u>

Actuarial Assumptions: The total pension liability in the January 1, 2023, actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.00% (average including inflation)
Investment Rate of Return	8.00% (including inflation)
Postretirement Cost of Living Increase	0.00%

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 9. Police Pension Plan (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The 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 to total pension liability. The employer has always met the funding requirement of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

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

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00%, as well as what the Township’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 5,800,442	\$ 3,881,689	\$ 2,261,524

Note 10. Non-Uniformed Pension Plan

Plan Description

The Uwchlan Township Non-Uniformed Pension Plan is a single-employer defined contribution plan controlled by the provisions of Resolution No. 80-1 adopted pursuant to Act 41. The plan is governed by the Board of Township Supervisors, which is responsible for the management of the plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to John Hancock Life Insurance Company (U.S.A.).

Plan Membership

All full-time non-uniformed employees of the Township are eligible to participate in the pension plan upon attaining the age of 20 and completing at least one-half year of service. As of December 31, 2023, plan membership consisted of 25 active full-time employees.

Benefit Provisions

The following is a summary of the eligibility requirements and benefit provisions:

Normal retirement.....	Age 59-1/2
Early retirement	Age 55
Vesting	Seven or more years of service 100%
Retirement benefit.....	Accrued value of participant's account
Survivor benefit	Accrued value of participant's account
Disability benefit.....	Entire value of participant's account as of participant's disability retirement date

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 10. Non-Uniformed Pension Plan (Continued)

Funding Policy

Active Members of the Plan are not required to contribute to the pension plan; however, members may make voluntary contributions up to 10% of their compensation up to an annual maximum contribution of \$66,000. The Township employer contribution rate is 10% of employee compensation.

The pension plan also may be eligible for an annual allocation from the General Municipal Pension System State Aid Program, which must be used to reduce or eliminate the required municipal contribution.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is 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. See following pages for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation in the fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Investments and Fair Value Measurements

Investment contracts held by a defined-contribution plan are required to be reported at fair value. The Plan invests in investment contracts through an insurance company group annuity contracts. John Hancock Life Insurance Company (U.S.A.), Custodian of the Plan's assets, certified the completeness and accuracy of the investments, investment transactions and all related income and the fair value of these investments included in the financial statements.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 10. Non-Uniformed Pension Plan (Continued)

Investments and Fair Value Measurements (Continued)

All investments are participant directed. The Plan measures on a recurring basis its investments at fair value in accordance with GAAP, which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that are accessible to the Plan. These generally provide the most reliable evidence and are used to measure fair value whenever available.

- Level 2 Inputs to the valuation methodology include significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted prices for similar assets in active markets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs or methodology used for valuing investments are not an indication of the risk associated with investing in those securities.

The Plan's investments are held by John Hancock Life Insurance Company (U.S.A) under group annuity contracts in various pooled separate accounts. The pooled separate accounts consist of multiple investment funds with diverse investment objectives. Contract value represents the aggregate of all contributions, interest earned, less administrative fees and participant withdrawals. The following is a description of valuation methodologies used for assets at fair value.

Pooled separate accounts: Units of participation in pooled separate accounts are reported at the accumulated value of units held by the Plan at year-end, as reported to the Plan by the insurance company. The accumulated unit value is determined by John Hancock Life Insurance Company (U.S.A.) and is based on the net asset value of shares in the underlying fund, the fund's dividends and the contract's separate account charges. Pooled separate accounts are stated at fair value as determined by observable Level 1 inputs. While some pooled separate accounts may have publicly quoted pricing inputs (Level 1), the account values of separate accounts are not publicly quoted and are therefore classified as Level 2 investments.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 10. Non-Uniformed Pension Plan (Continued)

Investments and Fair Value Measurements (Continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain investments or financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, the Plan's assets at fair value as of December 31, 2023:

Type	Issue	Issuer/Manager	Units	Current Value
Level 2				
Asset Allocation Target Date				
	JH Multimanager 2010 Lifetime	John Hancock	5,867	\$ 94,000
	JH Multimanager 2020 Lifetime	John Hancock	27,892	528,857
	JH Multimanager 2030 Lifetime	John Hancock	97,667	2,133,908
	JH Multimanager 2040 Lifetime	John Hancock	15,195	367,374
	JH Multimanager 2050 Lifetime	John Hancock	37,108	919,632
	JH Multimanager 2060 Lifetime	John Hancock	4,263	86,590
	JH Multimanager 2065 Lifetime	John Hancock	5,218	69,520
Conservative				
	John Hancock Stable Value	John Hancock	98,205	117,392
Growth & Income				
	American Balanced Fund	American Funds	19,902	1,023,431
Growth				
	500 Index Fund	John Hancock	2,645	185,482
	Fidelity Contrafund	Fidelity	541	175,911
	Fundamental Large Cap Value	John Hancock	976	42,436
	New Perspective Fund	American Funds	5,458	536,004
	Growth Index Fund	Vanguard	279	48,919
	Capital World Growth and Income Fund	American Funds	33	3,029
	The Investment Company of America	American Funds	219	22,364
	Total Stock Market Index Fund	John Hancock	775	37,171
Aggressive Growth				
	Invesco Small Cap Growth	Invesco	1,531	141,461
	JH Disciplined Value Intl Fund	John Hancock	895	44,788
	John Hancock Mid Cap Growth	John Hancock	7,911	59,358
	Mid Cap Index Fund	John Hancock	1,510	74,063
	Science & Technology Fund	T. Rowe Price	401	42,982
	Small Cap Index Fund	Vanguard	144	4,262
	Small Cap Value Index Fund	Vanguard	60	5,714
	Small Cap Value Fund	Wellington	302	12,945
	Real Estate Securities Fund	John Hancock	697	18,758
	Strategic Income Opp Fund	John Hancock	698	12,050
	Total Bond Market Fund	John Hancock	629	7,318
				<u>\$ 6,815,719</u>

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 10. Non-Uniformed Pension Plan (Continued)

Investments and Fair Value Measurements (Continued)

Interest Rate Risk: The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Because the Plan is a defined benefits contribution plan, investments are held in each member's account, and it is each member's decision as to how their contributions will be invested.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Plan manages its custodial credit risk through requiring that its custodian shall be a member in good standing of the Securities Investor Protection Corporation, established under the Securities Investor Protection Act of 1970 and, additionally, provide a certificate of insurance demonstrating that a surety bond be maintained in the amount of 125% of the value of the pension plan assets at any given time.

Credit Risk: The Plan does not have an investment policy which limits investment choices to those with specific credit ratings.

Concentration Risk: The Plan's investments are not subject to concentration risk.

Note 11. Other Post-Employment Benefits - Township's Single Employer Plan

Plan Description and Benefits

The Township adheres to Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits and life insurance benefits provided by the Township. The Township's healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Township does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Township's Single Employer Plan (Continued)

Plan Description and Benefits (Continued)

Pre-65 Health Benefits: Employees with 20 years of service and 50 years of age shall upon their retirement continue to be covered by the Group Health Plan including the prescription plan, with such costs to be paid by the Township. Coverage continues until the employee becomes eligible for medical benefits under Medicare or the employee has coverage available through another employer. Should the employee wish to have coverage for his/her spouse, effective January 1, 2003, the employee shall for his/her tenure with the Township contribute 1% of his/her annual salary into an "insurance fund" established by the Township. At the time of the employee's retirement, the employee's spouse will receive the same coverage as the retiring employee. Subject to the age restrictions in the existing coverage, should the retiring employee have dependent children he/she wishes to cover, the employee may continue such coverage through the Township by reimbursing the Township for the costs of said coverage. Coverages described herein continue until the employee becomes Medicare eligible (regardless of spouse's age), the spouse remarries, or the employee has coverage available through another employer. In the event that a retired employee dies prior to becoming Medicare eligible, the employee's spouse can continue coverage fully paid by the Township until spouse becomes Medicare eligible.

Post-65 Health Benefits: Having achieved retirement eligibility (25 years of service and 50 years of age) each employee will be covered by the Independence Blue Cross Medicare Supplement Security 65 Plan "C", (2006) with such costs to be paid by the Township, when he/she becomes eligible for medical benefits under Medicare. Effective January 1, 2006, should an employee wish to have aforementioned supplement benefits for his/her spouse, the employee shall for his/her tenure with the Township contribute 1% of his/her annual salary into an "insurance "fund" established by the Township. In the event that a retired employee dies after becoming Medicare eligible, the employee's spouse can continue coverage fully paid by the Township for life.

Post-65 Miscellaneous Health Care Reimbursements: Having achieved retirement eligibility (25 years of service and 50 years of age) and upon an officer's enrollment into the Medicare Program, each officer will be reimbursed for up to a total of \$2,400 per family, per year, for miscellaneous health care expenses. This reimbursement may be used by either the retired employee or spouse of the employee. If the employee did not contribute 1% during his or her term of employment for post-retirement spousal coverage, the benefit is limited to the employee only. Examples of acceptable reimbursements include individual plans for prescription coverage, glasses, hearing aids, or any other health care related expenses not covered by Medicare and or the supplemental medical insurance plan provided by the Township.

Funding Policy: The contribution requirements of plan members are established and may be amended by the Board. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of Supervisors. For fiscal year 2023, the Township contributed \$160,444 to the plan for current premiums, or 100% of total premiums.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Township’s Single Employer Plan (Continued)

Plan Description and Benefits (Continued)

Employees Covered by Benefit Terms: For the year ended December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	46
	61

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB

At December 31, 2023, The Township reported a liability of \$12,335,007 for the total OPEB liability. The total OPEB liability was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2022. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 15,997,371
Changes for the year	
Service cost	702,580
Interest	368,650
Changes of assumptions	(4,151,180)
Estimated benefit payments	(582,414)
Net Changes	(3,662,364)
Total OPEB Liability, ending	\$ 12,335,007

For the year ended December 31, 2023, the Township recognized OPEB expense of \$779,024. At December 31, 2023, the Township reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 993,441
Changes of assumptions	2,784,509	4,853,947
Benefit payments subsequent to the measurement date	677,760	-
	\$ 3,462,269	\$ 5,847,388

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Township's Single Employer Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$677,760 resulting from Township benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the OPEB liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in the Township's OPEB expense as follows:

Year ending December 31:	Total
2024	\$ (292,206)
2025	(292,209)
2026	(445,590)
2027	(353,079)
2028	(401,075)
Thereafter	(1,278,720)
	<u>\$ (3,062,879)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - assumed to follow the changes in the Health Care Cost Trend Rate
- Salary Increases - annual salary increases are assumed to be 5.0%
- Discount Rate – 4.31%. Based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2023.
- Retiree Contributions - assumed to increase at the same rate as the Health Care Cost Trend Rate
- Health Care Cost Trend – 7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Township's Single Employer Plan (Continued)

Sensitivity of the Township's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township calculated using the discount rate of 4.31% as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.31%) or one percentage point higher (5.31%) than the current discount rate:

	1% Decrease 3.31%	Current Discount Rate 4.31%	1% Increase 5.31%
Total OPEB liability	\$ 13,969,628	\$ 12,335,007	\$ 10,991,987

The discount rate used to measure the total OPEB liability increased from 2.25% to 4.31% as of January 1, 2023.

Sensitivity of the Township's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township calculated using the health care cost trend rates of 7.0% decreasing to 4.1%, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 10,818,267	\$ 12,335,007	\$ 14,230,830

UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Note 12. Fund Balance Designations

As of December 31, 2023, fund balances are composed of the following:

	General Fund	Water Fund	ARPA Grant Fund	Capital Improvement Fund	Non-Major Governmental Funds
Nonspendable					
Prepays	\$ 9,095	\$ -	\$ -	\$ 5,000	\$ -
Restricted					
Highways and streets	-	-	-	-	515,994
Public safety	-	-	-	-	15,518
Capital improvement	-	551,937	-	-	-
ARPA Grant	-	-	126,801	-	-
Committed					
Post-employment benefits	849,876	-	-	-	-
Assigned					
Capital improvement	-	-	-	3,857,581	-
Park development	-	-	-	-	18,997
Traffic impact fund	-	-	-	-	485,873
Unassigned	3,643,001	-	-	-	-
	<u>\$ 4,501,972</u>	<u>\$ 551,937</u>	<u>\$ 126,801</u>	<u>3,862,581</u>	<u>1,036,382</u>

Note 13. Risk Management

Risk of Loss and Insurance

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended December 31, 2023, the Township did not incur any significant losses that were not covered by insurance.

Note 14. Subsequent Events

General Obligation Bonds, Series 2024

On April 16, 2024, the Township settled on \$7,000,000 of General Obligation Bonds, Series of 2024 (the “Bonds”) to provide funds for capital projects consisting of the acquisition, maintenance, and improvements of real property (open space) and paying the cost of issuing the Bonds. The Township is expected to make principal payments on June 1 annually starting in 2025 until 2045 and interest payments on June 1 and December 1 until maturity on June 1, 2045.

REQUIRED SUPPLEMENTARY INFORMATION

UWCHLAN TOWNSHIP

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended December 31, 2023**

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
Revenues			
Taxes			
Real Estate			
Current	\$ 141,000	\$ 136,927	\$ (4,073)
Delinquent	1,000	2,040	1,040
Transfer	650,000	1,024,181	374,181
Earned income	7,100,000	8,016,902	916,902
Emergency and municipal services	550,000	618,291	68,291
Mechanical device	500	200	(300)
Total taxes	<u>8,442,500</u>	<u>9,798,541</u>	<u>1,356,041</u>
Licenses and permits	893,000	1,381,689	488,689
Fines, forfeits and costs	85,000	67,090	(17,910)
Interest, dividends and rents	60,000	172,372	112,372
Intergovernmental revenues	306,800	684,005	377,205
Charges for services and fees	2,056,310	2,087,483	31,173
Miscellaneous revenues	98,000	150,305	52,305
Total revenues	<u>11,941,610</u>	<u>14,341,485</u>	<u>2,399,875</u>
Expenditures			
Current			
General government			
Administration	971,391	1,034,864	(63,473)
Tax collection	106,635	118,432	(11,797)
General government buildings and plant	221,696	285,659	(63,963)
Total general government	<u>1,299,722</u>	<u>1,438,955</u>	<u>(139,233)</u>
Public safety			
Police	6,027,471	5,767,211	260,260
Fire	179,431	343,332	(163,901)
Ambulance and rescue	244,000	242,619	1,381
Zoning	492,975	523,144	(30,169)
Total public safety	<u>6,943,877</u>	<u>6,876,306</u>	<u>67,571</u>
Health and human services	28,000	25,025	2,975
Public works, sanitation	1,916,830	1,899,645	17,185

(Continued)

UWCHLAN TOWNSHIP

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended December 31, 2023**

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
Expenditures			
Current			
Public works, highways and streets			
Snow removal	-	877	(877)
Traffic signals and signs	48,100	55,633	(7,533)
Street lighting	8,000	10,497	(2,497)
Highway maintenance	1,064,354	1,199,542	(135,188)
Total public works, highways and streets	<u>1,120,454</u>	<u>1,266,549</u>	<u>(146,095)</u>
Culture and recreation, parks	834,623	858,421	(23,798)
Debt Service	-	29,411	(29,411)
Miscellaneous			
Insurance	79,500	53,506	25,994
Other employee benefits	2,400	2,387	13
Other	13,800	38,685	(24,885)
Total miscellaneous	<u>95,700</u>	<u>94,578</u>	<u>1,122</u>
Total expenditures	<u>12,239,206</u>	<u>12,488,890</u>	<u>(249,684)</u>
Excess (deficiency) of revenues over expenditures	(297,596)	1,852,595	2,150,191
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	15,000	48,650	33,650
Interfund transfers	-	(1,800,000)	(1,800,000)
Total other financing sources (uses) - net	<u>15,000</u>	<u>(1,751,350)</u>	<u>(1,766,350)</u>
Net change in fund balance	<u>\$ (282,596)</u>	101,245	<u>\$ 383,841</u>
Fund Balances:			
January 1, 2023		<u>4,400,727</u>	
December 31, 2023		<u>\$ 4,501,972</u>	

UWCHLAN TOWNSHIP POLICE PENSION PLAN

SCHEDULES OF CHANGES IN THE NET POLICE PENSION
 PLAN LIABILITY AND RELATED RATIOS
 Years Ended December 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 317,390	\$ 292,849	\$ 278,904	\$ 243,189	\$ 231,609	\$ 248,319	\$ 228,023	\$ 244,021	\$ 232,401	\$ 235,043
Interest	1,027,728	1,324,971	1,310,713	1,287,644	1,227,408	1,157,389	1,090,119	1,003,485	941,988	919,984
Changes for experience	209,350	-	(474,402)	-	(154,482)	-	(8,042)	-	(550,275)	-
Changes of assumptions	-	-	-	-	309,153	-	395,444	-	-	-
Changes of benefit terms	-	-	-	-	-	108,054	-	-	-	-
Benefit payments	(1,157,552)	(1,270,552)	(692,658)	(686,240)	(667,289)	(623,324)	(587,897)	(484,067)	(350,529)	(303,589)
Net Change in Total Pension Liability	396,916	347,268	422,557	844,593	946,399	890,438	1,117,647	763,439	273,585	851,438
Total pension liability, beginning	17,873,910	17,526,642	17,104,085	16,259,492	15,313,093	14,422,655	13,305,008	12,541,569	12,267,984	11,416,546
Total pension liability, ending (a)	<u>\$ 18,270,826</u>	<u>\$ 17,873,910</u>	<u>\$ 17,526,642</u>	<u>\$ 17,104,085</u>	<u>\$ 16,259,492</u>	<u>\$ 15,313,093</u>	<u>\$ 14,422,655</u>	<u>\$ 13,305,008</u>	<u>\$ 12,541,569</u>	<u>\$ 12,267,984</u>
Plan Fiduciary Net Position										
Contributions, employer	\$ 500,615	\$ 455,614	\$ 476,228	\$ 388,401	\$ 402,553	\$ 355,842	\$ 383,728	\$ 373,273	\$ 408,220	\$ 402,517
Contributions, member	76,979	64,299	68,109	51,359	48,657	25,116	-	-	-	-
Net investment income	2,053,043	(2,574,520)	1,722,575	1,943,557	2,191,773	(690,813)	1,639,223	732,485	(57,081)	694,648
Benefit payments, including refunds of members contributions	(1,157,552)	(1,270,552)	(692,658)	(686,240)	(667,289)	(623,324)	(587,897)	(484,067)	(350,529)	(303,589)
Administrative expense	(17,906)	(20,178)	(17,482)	(14,804)	(16,712)	(4,800)	(8,100)	(4,000)	(6,200)	(3,700)
Net Change in Plan Fiduciary Net Position	1,455,179	(3,345,337)	1,556,772	1,682,273	1,958,982	(937,979)	1,426,954	617,691	(5,590)	789,876
Plan fiduciary net position, beginning	12,933,958	16,279,295	14,722,523	13,040,250	11,081,268	12,019,247	10,592,293	9,974,602	9,980,192	9,190,316
Plan fiduciary net position, ending (b)	<u>\$ 14,389,137</u>	<u>\$ 12,933,958</u>	<u>\$ 16,279,295</u>	<u>\$ 14,722,523</u>	<u>\$ 13,040,250</u>	<u>\$ 11,081,268</u>	<u>\$ 12,019,247</u>	<u>\$ 10,592,293</u>	<u>\$ 9,974,602</u>	<u>\$ 9,980,192</u>
Net pension liability, ending (a)-(b)	<u>\$ 3,881,689</u>	<u>\$ 4,939,952</u>	<u>\$ 1,247,347</u>	<u>\$ 2,381,562</u>	<u>\$ 3,219,242</u>	<u>\$ 4,231,825</u>	<u>\$ 2,403,408</u>	<u>\$ 2,712,715</u>	<u>\$ 2,566,967</u>	<u>\$ 2,287,792</u>
Plan Fiduciary Net Position as a Percentage of the										
Total Pension Liability	<u>78.75%</u>	<u>72.36%</u>	<u>92.88%</u>	<u>86.08%</u>	<u>80.20%</u>	<u>72.36%</u>	<u>83.34%</u>	<u>79.61%</u>	<u>79.53%</u>	<u>81.35%</u>
Covered Payroll	<u>\$ 2,643,131</u>	<u>\$ 2,454,364</u>	<u>\$ 1,947,073</u>	<u>\$ 2,656,873</u>	<u>\$ 2,425,663</u>	<u>\$ 2,548,804</u>	<u>\$ 2,375,265</u>	<u>\$ 2,331,714</u>	<u>\$ 2,421,540</u>	<u>\$ 2,386,314</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>146.86%</u>	<u>201.27%</u>	<u>64.06%</u>	<u>89.64%</u>	<u>132.72%</u>	<u>166.03%</u>	<u>101.18%</u>	<u>116.34%</u>	<u>106.01%</u>	<u>95.87%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

UWCHLAN TOWNSHIP POLICE PENSION PLAN

SCHEDULES OF POLICE PENSION PLAN CONTRIBUTIONS
Years Ended December 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 500,615	\$ 455,614	\$ 476,228	\$ 388,401	\$ 402,553	\$ 355,842	\$ 383,728	\$ 373,273	\$ 408,220	\$ 402,517
Contributions in Relation to the Actuarially Determined Contribution	500,615	455,614	476,228	388,401	402,553	355,842	383,728	373,273	408,220	402,517
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,643,131	\$ 2,454,364	\$ 1,947,073	\$ 2,656,873	\$ 2,425,663	\$ 2,548,804	\$ 2,375,265	\$ 2,331,714	\$ 2,421,540	\$ 2,386,314
Contribution as a Percentage of Covered Payroll	18.94%	18.56%	24.46%	14.62%	16.60%	13.96%	16.16%	16.01%	16.86%	16.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

UWCHLAN TOWNSHIP POLICE PENSION PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - POLICE PENSION PLAN

Year Ended December 31, 2023

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contribution are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization method	14 years
Asset valuation method	

The actuarial value of assets from the prior valuation report (reduced for benefits paid and increased for contributions) is projected forward at an artificial investment return of 7% (interest rate assumption minus 1%) with a corridor of 80% to 120% of market value.

Inflation	3.00%
Salary increases	5.00%
Investment rate of return	8.00%
Retirement age	

It is assured that all members enter the Deferred Retirement Option Program (DROP) after attainment of age 52 and completion of 25 years of service. It is also assumed that participation in the DROP continues for 36 months.

Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.
Changes in benefit terms	None since 1/1/2021

UWCHLAN TOWNSHIP POLICE PENSION PLAN

SCHEDULES OF POLICE PENSION PLAN INVESTMENT RETURNS
Years Ended December 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>16.13%</u>	<u>(16.20)%</u>	<u>11.49%</u>	<u>15.13%</u>	<u>20.26%</u>	<u>(5.56)%</u>	<u>15.45%</u>	<u>7.32%</u>	<u>(0.26)%</u>	<u>5.51%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

UWCHLAN TOWNSHIP

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN THE TOWNSHIP'S TOTAL OPEB LIABILITY AND RELATED RATIOS**
Year Ended December 31,

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 702,580	\$ 842,694	\$ 611,940	\$ 449,258	\$ 517,228	\$ 411,375
Interest	368,650	344,994	466,669	489,427	440,155	437,397
Changes of benefit terms	-	-	-	-	-	522,516
Differences between expected and actual experience	-	(668,576)	-	(984,021)	-	-
Changes of assumptions	(4,151,180)	(1,258,834)	2,869,978	1,368,005	(740,109)	1,227,093
Benefit payments	(582,414)	(644,822)	(588,563)	(648,748)	(613,174)	(507,952)
Net change in total OPEB liability	(3,662,364)	(1,384,544)	3,360,024	673,921	(395,900)	2,090,429
Total OPEB Liability - beginning	15,997,371	17,381,915	14,021,891	13,347,970	13,743,870	11,653,441
Total OPEB Liability - ending	<u>\$ 12,335,007</u>	<u>\$ 15,997,371</u>	<u>\$ 17,381,915</u>	<u>\$ 14,021,891</u>	<u>\$ 13,347,970</u>	<u>\$ 13,743,870</u>
Covered-employee payroll	<u>\$ 5,103,256</u>	<u>\$ 5,167,999</u>	<u>\$ 4,919,720</u>	<u>\$ 4,919,720</u>	<u>\$ 4,439,894</u>	<u>\$ 4,439,894</u>
Total OPEB liability as a percentage of covered-employee payroll	241.71%	309.55%	353.31%	285.01%	300.64%	309.55%

Notes to Schedule:

Changes of Assumptions: The discount rate changed from 2.25% to 4.31%. The trend and mortality assumptions were also updated.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

UWCHLAN TOWNSHIP

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2023

	Liquid Fuels Fund	Traffic Impact Fund	Hydrant Fund	Public Safety Fund	Park Development Fund	Total Non-Major Governmental Funds
Assets						
Cash and cash equivalents	\$ 515,994	\$ -	\$ -	\$ -	\$ -	\$ 515,994
Due from other funds	-	485,873	30,700	9,499	18,997	545,069
Taxes receivable	-	-	1,092	-	-	1,092
Total assets	\$ 515,994	\$ 485,873	\$ 31,792	\$ 9,499	\$ 18,997	\$ 1,062,155
Liabilities						
Accounts payable	\$ -	\$ -	\$ 25,773	\$ -	\$ -	\$ 25,773
Total liabilities	-	-	25,773	-	-	25,773
Fund Balances						
Restricted	515,994	-	6,019	9,499	-	531,512
Assigned	-	485,873	-	-	18,997	504,870
Total fund balances	515,994	485,873	6,019	9,499	18,997	1,036,382
Total liabilities and fund balances	\$ 515,994	\$ 485,873	\$ 31,792	\$ 9,499	\$ 18,997	\$ 1,062,155

UWCHLAN TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2023**

	Liquid Fuels Fund	Traffic Impact Fund	Hydrant Fund	Public Safety Fund	Park Development Fund	Total Non-Major Governmental Funds
Revenues						
Taxes	\$ -	\$ -	\$ 51,743	\$ -	\$ -	\$ 51,743
Investment income	3,742	-	-	-	-	3,742
Intergovernmental revenue	610,420	-	-	-	-	610,420
Miscellaneous revenue	-	342,510	-	-	-	342,510
Total revenues	614,162	342,510	51,743	-	-	1,008,415
Expenditures						
Current						
Public safety	-	-	154,624	-	-	154,624
Public works - highways, roads and streets	406,433	-	-	-	-	406,433
Total expenditures	406,433	-	154,624	-	-	561,057
Excess (deficiency) of revenues over expenditures	207,729	342,510	(102,881)	-	-	447,358
Other Financing Sources (Uses)						
Interfund transfers	-	-	105,000	-	-	105,000
Total other financing sources	-	-	105,000	-	-	105,000
Net change in fund balances	207,729	342,510	2,119	-	-	552,358
Fund Balances:						
January 1, 2023	308,265	143,363	3,900	9,499	18,997	484,024
December 31, 2023	\$ 515,994	\$ 485,873	\$ 6,019	\$ 9,499	\$ 18,997	\$ 1,036,382

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

**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 Township Supervisors
Uwchlan Township
Exton, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of Uwchlan Township (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 May 1, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Township'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
May 1, 2024