

***WEST POTTS GROVE TOWNSHIP***

**FINANCIAL STATEMENTS AND  
OTHER INFORMATION**

**Year Ended December 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners  
West Pottsgrove Township  
Stowe, Pennsylvania**

### **Opinions**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Pottsgrove Township, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise West Pottsgrove Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Pottsgrove Township, as of December 31, 2023, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West Pottsgrove 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.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 West Pottsgrove 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 West Pottsgrove 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 West Pottsgrove 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.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedule, the pension plans' schedules of funding progress and employer contributions, and the other postemployment benefits plan schedule of funding progress, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**March 25, 2024**

**WEST POTTS GROVE TOWNSHIP**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

**December 31, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 13,236,055	\$ 700,139	\$ 13,936,194
Restricted escrow deposits	43,064	-	43,064
Internal balances	(37,291)	37,291	-
Prepaid expenses	450	-	450
Capital assets:			
Capital assets not being depreciated	-	214,380	214,380
Capital assets, net of accumulated depreciation	-	7,698,524	7,698,524
<b>TOTAL ASSETS</b>	<b>13,242,278</b>	<b>8,650,334</b>	<b>21,892,612</b>
<b>LIABILITIES</b>			
Payroll taxes withheld	12,980	-	12,980
Funds held in escrow	43,064	-	43,064
Current portion of noncurrent liabilities	-	49,000	49,000
Noncurrent liabilities:			
Notes payable	-	1,248,000	1,248,000
<b>TOTAL LIABILITIES</b>	<b>56,044</b>	<b>1,297,000</b>	<b>1,353,044</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	6,615,904	6,615,904
Restricted for:			
Highways and streets	547,202	-	547,202
Grant funds	251,855	-	251,855
Unrestricted	12,387,177	737,430	13,124,607
<b>TOTAL NET POSITION</b>	<b>\$ 13,186,234</b>	<b>\$ 7,353,334</b>	<b>\$ 20,539,568</b>

WEST POTTS GROVE TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 591,507	\$ 226,806	\$ 35,729	\$ -	\$ (328,972)	\$ -	\$ (328,972)
Public safety:							
Police	1,337,814	19,908	41,594	-	(1,276,312)	-	(1,276,312)
Fire	142,442	-	23,812	-	(118,630)	-	(118,630)
Other (planning, zoning, etc.)	160,515	110,844	-	-	(49,671)	-	(49,671)
Public works - sanitation	472,365	-	15,358	-	(457,007)	-	(457,007)
Public works - highways and streets	481,497	-	186,893	-	(294,604)	-	(294,604)
Culture and recreation	42,593	1,045	20,250	-	(21,298)	-	(21,298)
<b>Total Governmental Activities</b>	<b>3,228,733</b>	<b>358,603</b>	<b>323,636</b>	<b>-</b>	<b>(2,546,494)</b>	<b>-</b>	<b>(2,546,494)</b>
Business-type activities:							
Sewer system	894,434	691,817	-	-	-	(202,617)	(202,617)
<b>Total Primary Government</b>	<b>\$ 4,123,167</b>	<b>\$ 1,050,420</b>	<b>\$ 323,636</b>	<b>\$ -</b>	<b>(2,546,494)</b>	<b>(202,617)</b>	<b>(2,749,111)</b>
<b>General Revenues</b>							
Taxes:							
Property taxes					529,057	-	529,057
Earned income taxes					555,299	-	555,299
Other taxes					153,363	-	153,363
Investment earnings					514,185	50,856	565,041
Miscellaneous revenue					170,500	-	170,500
<b>Transfers</b>					<b>475,000</b>	<b>(475,000)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>2,397,404</b>	<b>(424,144)</b>	<b>1,973,260</b>
<b>Change in Net Position</b>					<b>(149,090)</b>	<b>(626,761)</b>	<b>(775,851)</b>
<b>Net Position - Beginning of Year</b>					<b>13,335,324</b>	<b>7,980,095</b>	<b>21,315,419</b>
<b>Net Position - End of Year</b>					<b>\$ 13,186,234</b>	<b>\$ 7,353,334</b>	<b>\$ 20,539,568</b>

See accompanying notes.

**WEST POTTS GROVE TOWNSHIP**

**BALANCE SHEET - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS**

**December 31, 2023**

	General	Nonmajor Fund (State Liquid Fuels)	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 12,688,853	\$ 547,202	\$ 13,236,055
Restricted escrow deposits	43,064	-	43,064
Prepaid expenditures	450	-	450
<b>TOTAL ASSETS</b>	<b>\$ 12,732,367</b>	<b>\$ 547,202</b>	<b>\$ 13,279,569</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Interfund payable	\$ 37,291	\$ -	\$ 37,291
Payroll taxes withheld	12,980	-	12,980
Funds held in escrow	43,064	-	43,064
<b>TOTAL LIABILITIES</b>	<b>93,335</b>	<b>-</b>	<b>93,335</b>
<b>FUND BALANCES</b>			
Nonspendable	450	-	450
Restricted:			
Highways and streets	-	547,202	547,202
Grant funds	251,855	-	251,855
Assigned:			
Recycling	516,203	-	516,203
Budgeted deficit	361,590	-	361,590
Unassigned	11,508,934	-	11,508,934
<b>TOTAL FUND BALANCES</b>	<b>12,639,032</b>	<b>547,202</b>	<b>13,186,234</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,732,367</b>	<b>\$ 547,202</b>	<b>\$ 13,279,569</b>

**WEST POTTS GROVE TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2023**

	General	Nonmajor Fund (State Liquid Fuels)	Total Governmental Funds
<b>REVENUES</b>			
Real estate taxes	\$ 529,057	\$ -	\$ 529,057
Earned income taxes	555,299	-	555,299
Other taxes	153,363	-	153,363
Licenses, permits, and fines	72,748	-	72,748
Interest, rent, and net investment income	256,651	26,000	282,651
Change in market value of investments	231,534	-	231,534
Intergovernmental	207,837	115,799	323,636
Charges for services	285,855	-	285,855
Other	139,841	-	139,841
	<b>TOTAL REVENUES</b>	<b>141,799</b>	<b>2,573,984</b>
<b>EXPENDITURES</b>			
Current:			
General government	591,507	-	591,507
Public safety:			
Police	1,337,814	-	1,337,814
Fire	142,442	-	142,442
Other (planning, zoning, etc.)	160,515	-	160,515
Public works - sanitation	472,365	-	472,365
Public works - highways and streets	440,910	40,587	481,497
Culture and recreation	42,593	-	42,593
	<b>TOTAL EXPENDITURES</b>	<b>40,587</b>	<b>3,228,733</b>
	<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>101,212</b>	<b>(654,749)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	30,659	-	30,659
Transfers in	475,000	24,812	499,812
Transfers out	(24,812)	-	(24,812)
	<b>TOTAL OTHER FINANCING SOURCES</b>	<b>24,812</b>	<b>505,659</b>
	<b>NET CHANGES IN FUND BALANCES</b>	<b>126,024</b>	<b>(149,090)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>12,914,146</b>	<b>421,178</b>	<b>13,335,324</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 12,639,032</b>	<b>\$ 547,202</b>	<b>\$ 13,186,234</b>

See accompanying notes.

**WEST POTTS GROVE TOWNSHIP**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS -  
PROPRIETARY FUND**

**December 31, 2023**

	<u>Enterprise Fund (Sewer)</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 700,139
Interfund receivable	<u>37,291</u>
<b>TOTAL CURRENT ASSETS</b>	737,430
<b>NONCURRENT ASSETS</b>	
Construction in progress	214,380
Sewer system, net of accumulated depreciation	<u>7,698,524</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>7,912,904</u>
<b>TOTAL ASSETS</b>	<u>8,650,334</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Current portion of noncurrent liabilities	49,000
<b>NONCURRENT LIABILITIES</b>	
Notes payable	<u>1,248,000</u>
<b>TOTAL LIABILITIES</b>	1,297,000
<b>NET POSITION</b>	
Net investment in capital assets	6,615,904
Unrestricted	<u>737,430</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,353,334</u></u>

See accompanying notes.

WEST POTTS GROVE TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION -  
MODIFIED CASH BASIS - PROPRIETARY FUND

For the Year Ended December 31, 2023

	Enterprise Fund (Sewer)
<b>OPERATING REVENUES</b>	
Charges for services	\$ 691,817
<b>OPERATING EXPENSES</b>	
Sewer treatment and collection	247,713
Maintenance and repair	172,114
Administration/general	108,594
Depreciation	345,234
<b>TOTAL OPERATING EXPENSES</b>	<u>873,655</u>
<b>OPERATING LOSS</b>	(181,838)
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest income	50,856
Interest expense	<u>(20,779)</u>
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<u>30,077</u>
<b>LOSS BEFORE TRANSFERS</b>	(151,761)
<b>TRANSFERS OUT</b>	<u>(475,000)</u>
<b>CHANGE IN NET POSITION</b>	(626,761)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>7,980,095</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><u>\$ 7,353,334</u></u>

See accompanying notes.

**WEST POTTS GROVE TOWNSHIP**

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -  
PROPRIETARY FUND**

**For the Year Ended December 31, 2023**

	<u>Enterprise Fund (Sewer)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 691,817
Payments to suppliers	<u>(528,421)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	163,396
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interfund transfer	(475,000)
Purchases of capital assets	(214,380)
Repayment of note payable	(48,000)
Interest and fiscal agent fees paid	<u>(20,779)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(758,159)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>50,856</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(543,907)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,244,046</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 700,139</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (181,838)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	<u>345,234</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 163,396</u></u>

See accompanying notes.

## WEST POTTS GROVE TOWNSHIP

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2023

West Pottsgrove Township (the "Township"), Montgomery County, Pennsylvania, is a first class township, incorporated in 1900. The Township is governed under a five member board of commissioners, in accordance with laws of the Commonwealth of Pennsylvania. The commissioners must be residents who are elected every year on a staggered basis, for a four-year term. The commissioners have the power to establish policies to be carried out by the Township. The Township provides the following services as authorized by its charter: Public Safety - Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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As described further in Note 1.D., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

##### A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and its component units.

The Township used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the application of these criteria, the Township has determined it has no component units.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**B. Basis of Presentation - Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds which are reported only in the fund financial statements. The government-wide statements include separate columns and distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

The statement of activities demonstrates the level to which the direct expenses of a given function of the Township are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

**C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Township currently has no fiduciary funds.

**The Township Reports the Following Major Governmental Fund:**

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

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**C. Basis of Presentation - Fund Financial Statements - continued**

**The Township Reports the Following Nonmajor Governmental Fund:**

Special Revenue Funds

These funds are established to account for the cash receipts of specific sources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes. The Township's special revenue fund includes the following nonmajor fund:

State Liquid Fuels Fund - This fund is used to account for the proceeds from the State Motor License Fund. Under the act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.

**The Township Has the Following Enterprise Fund:**

Sewer Fund - This fund is used to account for business-type activities provided to the general public. Activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The sewer fund accounts for the Township's wastewater disposal system.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

**1. Measurement Focus**

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the current financial resources measurement focus, or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

**2. Basis of Accounting**

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include interfund activity, prepaid expenses, developer escrows, payroll taxes withheld, sewer fund capital assets arising from cash transactions, and debt financed sewer fund capital assets and the related debt.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**D. Measurement Focus and Basis of Accounting - continued**

**2. Basis of Accounting - continued**

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

If the Township utilized accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the proprietary fund would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

**E. Financial Position**

**1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**2. Investments**

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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 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.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of net position.

WEST POTTS GROVE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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E. Financial Position - continued

**3. Restricted Escrow Deposits**

The restricted escrow deposits account represents cash received by the Township from developers to cover the Township's costs of reviewing and approving development plans and as security deposits to ensure the related developments are completed in accordance with approved plans.

**4. Interfund Transactions**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

**5. Prepaid Items**

Certain payments to vendors related to annual dues for the following year are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when paid.

**6. Capital Assets**

In the government-wide and fund financial statements, capital assets arising from cash transactions from governmental activities are recorded as capital outlay expenditures (expenses) upon acquisition. Proceeds from the sale of capital assets are reported as other general revenue in the government-wide financial statements and as other revenue in the fund financial statements. In the government-wide and proprietary fund financial statements, capital assets arising from cash transactions related to debt financing from business-type activities are capitalized and depreciated over their useful lives. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Estimated useful lives are as follows:

Sewer system	20 - 50 years
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**7. Long-Term Debt**

Debt proceeds are reported as other financing sources in the governmental fund financial statements and as general revenues in the governmental activities within the government-wide financial statements. Payment of principal and interest is reported as expenditures (expenses) for the governmental activities. Proprietary fund debt is reported as a liability with principal payments reported as a reduction to the debt. Interest is recognized in the period in which it is paid.

WEST POTTS GROVE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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E. Financial Position - continued

8. Net Position/Fund Balance Classifications

**Government-Wide Statements, Proprietary Funds, and Fiduciary Funds**

Net position is classified and displayed in three components:

Net investment in capital assets - This category groups all capital assets into one category of net assets. Accumulated depreciation and the outstanding balance of debt reduce the balance in this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents net positions of the Township which are not restricted for any project or other purpose.

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

**Governmental Fund Financial Statements**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for a specific purpose determined by a formal action of the Township's board of commissioners, the government's highest level of decision-making authority. The formal action (resolution) to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

WEST POTTS GROVE TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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E. Financial Position - continued

8. Net Position/Fund Balance Classifications - continued

**Governmental Fund Financial Statements** - continued

Assigned - Amounts that the Township intends to use for a specific purpose. Assignments of fund balance are made by the Township's board of commissioners.

Unassigned - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and are available for any purpose.

**Fund Balance Policies**

Spending Policy

The Township does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the governmental accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy

The Township has no formal minimum fund balance policies or any formal stabilization arrangements in place.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Revenues, Expenditures, and Expenses**

**1. Program Revenues**

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. The Township has the following program revenues in each activity:

General Government - Charges for services include receipts for licenses and permits and development fees; operating grants include general municipal pension system state aid and other allocations from the Commonwealth of Pennsylvania.

Public Safety - Charges for services include receipts for fines and permits; operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania, grants from the Commonwealth of Pennsylvania for police equipment, and contributions for shared services.

Public Works: Sanitation - Operating grants include recycling performance grants from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets - Includes proceeds from the State Motor License Fund and road turnback funds through the Commonwealth of Pennsylvania, and general municipal pension system aid from the Commonwealth of Pennsylvania.

Culture and Recreation - Charges for services include receipts from rental of the Township's pavilion. Operating grants include recreation grants from the Commonwealth of Pennsylvania and local sources.

All other governmental revenues are reported as general revenue. All taxes are classified as general revenues even if restricted for a specific purpose.

**2. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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 sewer fund are charges to customers for wastewater disposal treatment. Operating expenses for the sewer fund include sewer treatment and collection, maintenance and repair, administration/general, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Revenues, Expenditures, and Expenses - continued**

**3. Property Taxes**

Property taxes are levied on March 1 and are payable on or before June 30. The tax levy ordinance for the 2023 calendar year levied taxes on March 1, 2023, at 3.0 mills. Generally, taxes paid prior to April 30 are payable at a 2% discount, and taxes paid after June 30 are assessed at a 10% penalty. Taxes not paid as of January 15 are considered delinquent and are turned over to the Montgomery County Tax Claim Bureau for collection. The taxes are levied based on assessed values on property. Assessed values are an approximation of market value. All taxable real property was assessed at \$180,904,291.

**4. Compensated Absences**

Compensated absences for vacation and sick leave are recorded when paid.

**5. Other Postemployment Benefits**

The Township provides certain benefits for retired employees based on the employee meeting certain criteria. The cost of such benefits is charged to expense as the premiums are paid.

**G. Use of Estimates**

The preparation of the financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**Budgetary Data**

The Township adopts an annual operating budget, which can be amended by the commissioners throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township; however, legal budgets are adopted only for the general fund and proprietary fund. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect revenue and expenditures (expenses) recognized on the modified cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts. Appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year.

**Excess of Expenditures over Appropriations**

For the year ended December 31, 2023, expenditures did not exceed appropriations in the general fund.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 3 - CASH AND INVESTMENTS**

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Under Section 3204.1 of the Commonwealth of Pennsylvania Second Class Township Code, the Township is permitted to invest funds in the following types of investments:

Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The components of cash and investments, as presented on the financial statements, are as follows at December 31, 2023:

Deposits	\$ 447,888
Pooled cash and investments	1,317,210
Investments	<u>12,214,160</u>
	<u>\$ 13,979,258</u>

**Cash**

**Custodial Credit Risk - Deposit**

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2023, the carrying amount of the Township's deposits was \$447,888 and the bank balance was \$537,255. Of the bank balance, \$250,000 was covered by federal depository or national credit union share insurance and \$287,255 was exposed to custodial credit risk but was covered by collateralization requirements under Act 72 of the 1971 Session of the Pennsylvania General Assembly.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Pooled Cash and Investments**

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

	<u>Fair Value</u>
PA Local Government Investment Trust (PLGIT):	
PLGIT - Class Shares	\$ 767,876
PLGIT - Prime	<u>765,735</u>
Total	1,533,611
Less: Reconciling Items	<u>(216,401)</u>
Total pooled cash and investments	<u><u>\$ 1,317,210</u></u>

A portion of the Township's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

Certain external 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 participating government level consistent with GASB Statement No. 79. The Township measures those investments, which include PLGIT, at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT - Class Shares are a flexible 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.

PLGIT - Prime is a variable rate investment portfolio rated AAAM by Standard & Poor's which requires no minimum balance or minimum initial investment. Redemptions or exchanges are limited to two per calendar month.

As of December 31, 2023, the entire PLGIT book balance of \$1,317,210 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**Investments**

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

	Rate	Maturities		Total Fair Value	Level
		1 - 5 years	> 5 years		
Governmental Activities:					
U.S. treasury notes	0.375 - 4.625%	\$ 10,587,428	\$ -	\$ 10,587,428	2
Supra-national agency bond/note	0.500 - 4.625%	791,941	-	791,941	2
Federal agency mortgage backed security	2.000 - 5.500%	123,067	217,105	340,172	2
Federal agency commercial mortgage backed security	2.282 - 3.750%	429,792	-	429,792	2
Federal agency collateralized mortgage obligation	1.250 - 2.000%	57,198	7,629	64,827	2
		Total Investments		<u>\$ 12,214,160</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 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.

**Interest Rate Risk**

The Township 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.

**Credit Risk**

The Township has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2023, the Township's investments were all rated AAA through A. Investments held in mutual funds are not rated.

**Concentration of Credit Risk**

The Township places no limit on the amount that may be invested in any one issuer. The Township does not have an individual investment holding greater than 5% of the Township's total investments.

**Custodial Credit Risk - Investment**

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 has no investments that qualify for this risk.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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The following is a summary of interfund receivables and payables at December 31, 2023:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 37,291
Sewer Fund	37,291	-
	\$ 37,291	\$ 37,291

Interfund receivables/payables consist of shared costs which have not yet been reimbursed and a time lag between dates when payments between funds are made. All will be transferred within a year.

Interfund transfers are summarized as follows at December 31, 2023:

	Transfers In	Transfers Out
General Fund	\$ 475,000	\$ 24,812
Liquid Fuels Fund - Nonmajor	24,812	-
Sewer Fund	-	475,000
	\$ 499,812	\$ 499,812

The Township transferred \$475,000 from the sewer fund to the general fund for the general fund expenses mainly related to recycling costs. The Township transferred \$24,812 from the general fund to the liquid fuels fund as a result of a finding from the Township's 2019-2021 Liquid Fuels Tax Fund Audit performed by the Department of the Auditor General.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 5 - CAPITAL ASSETS - PROPRIETARY FUND**

Following is a summary of changes in business-type capital assets during the fiscal year ended December 31, 2023:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 214,380	\$ -	\$ 214,380
Capital assets being depreciated:				
Sewer system	12,168,099	-	-	12,168,099
Accumulated depreciation	(4,124,341)	(345,234)	-	(4,469,575)
Total capital assets being depreciated, net	8,043,758	(345,234)	-	7,698,524
<b>BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET</b>	<b>\$ 8,043,758</b>	<b>\$ (130,854)</b>	<b>\$ -</b>	<b>\$ 7,912,904</b>

**NOTE 6 - LONG-TERM DEBT**

On November 10, 2020, the Township issued General Obligation Note, Series of 2020 to provide funds for sewer capital projects and to pay the cost of issuance through the Delaware Valley Regional Finance Authority (a financing authority created under the Pennsylvania Municipal Authorities Act). To manage interest rate risk, the Financing Authority utilizes interest rate swaps to limit its interest exposure as well as the interest rate exposure of individual loans. The swap was used to convert the debt to a fixed interest rate. The swap is effective for the duration of the note with an option to terminate in June of 2030. Any termination costs related to the swap agreement are the responsibility of the Township. Payments of interest are due monthly and annual principal payments are due in June. Final payment of the outstanding principal and accrued interest is due on December 31, 2045. The note bears interest at a fixed rate of 1.573%.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 6 - LONG-TERM DEBT - CONTINUED**

Funds to pay outstanding long-term liabilities will be provided by future charges for services in the sewer fund. The direct borrowing is secured by the pledged full-faith, credit, and taxing power of the Township. In the event of default, all principal and interest outstanding become due currently. Total interest expense paid during the year ended December 31, 2023, was \$20,779.

Principal maturities on the General Obligation Note, Series of 2020 are as follows:

	Principal	Interest
2024	\$ 49,000	\$ 20,016
2025	50,000	19,238
2026	51,000	18,443
2027	52,000	17,633
2028	52,000	16,815
2029 - 2033	275,000	71,376
2034 - 2038	300,000	48,762
2039 - 2043	329,000	24,058
2044 - 2045	139,000	2,195
	\$ 1,297,000	\$ 238,536

The following is a summary of the Township's long-term debt transactions for the year:

	Balance 1/1/2023	Additions	Deductions	Balance 12/31/2023
General Obligation Note	\$ 1,345,000	\$ -	\$ 48,000	\$ 1,297,000

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 7 - PENSION PLANS**

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The Township administers and contributes to two defined benefit pension plans: The West Pottsgrove Township Nonuniform and Police Pension Plans. The assets of the Plans are invested separately and may only be used for the payment of benefits to the members of the Plans, in accordance with the terms of the Plans. The defined benefit plans do not meet the fiduciary fund criteria and are therefore excluded from the reporting entity.

**Plan Descriptions**

The Township contributes to the West Pottsgrove Township Police Pension Plan, which is a single employer defined benefit public employee retirement system (PERS), controlled by provisions of Ordinance No. 1989-5. The Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report (ACFR). A copy of the ACFR can be obtained by contacting the PMRS accounting office or at [www.pmrs.state.pa.us](http://www.pmrs.state.pa.us).

All full-time police employees may become members of the Plan. Under the provisions of the Township's pension plan, pension benefits vest at 100% after 12 years. An employee may retire at age 50 with 12 years of service and receive 2% times years of credited service times final average salary. The pension plan also provides for death benefits and disability benefits to plan members and their beneficiaries. Cost of living allowances are provided at the discretion of the Plan.

The Township contributes to the West Pottsgrove Township Nonuniform Pension Plan, which is a single employer defined benefit public employee retirement system (PERS), controlled by provisions of Ordinance No. 1989-5. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report (ACFR). A copy of the ACFR can be obtained by contacting the PMRS accounting office.

All full-time nonuniform employees may become members of the Plan. Under the provisions of the Township's pension plan, pension benefits vest at 100% after five years of service. An employee may retire at age 62 and receive 1.67% times years of credited service times final five years average salary. The pension plan also provides for death benefits and disability benefits. Cost of living allowances are provided at the discretion of the Plan.

Effective January 1, 2015, the Township made the following changes to the Nonuniform Pension Plan: an employee may now retire at age 62 and receive 2% times years of credited service times final three years average salary. This change is retroactive for all years of service earned.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 7 - PENSION PLANS - CONTINUED**

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**Funding Policy**

The contribution requirements of plan members and the Township are established and may be amended by the Township commissioners. The active members of the Police Pension Plan are required to contribute 5% of their compensation, and active members of the Nonuniform Pension Plan are required to contribute 1% of their compensation. The contributions required of the Township are based on actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended December 31, 2023, the rate of Township contributions for the Police Pension Plan and the Nonuniform Pension Plan was 0% and 15.31% of covered payroll, respectively. The Township's contributions to the Police Pension Plan for the years ended December 31, 2023, 2022, and 2021 were \$0, \$55,360, and \$49,575, respectively, which are equal to the required contribution for each year. The Township's contributions to the Nonuniform Pension Plan for the years ended December 31, 2023, 2022, and 2021 were \$103,903, \$113,116, and \$95,302, respectively, which are equal to or exceed the required contribution for each year.

**NOTE 8 - DEFERRED COMPENSATION**

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The Township has established a voluntary deferred compensation plan under the Internal Revenue Service Code Section 457 for public employees. The 457 Plan is administered by Nationwide Retirement Systems. The plan is uninsured. The Township did not contribute to the plan for the year ended December 31, 2023.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

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**Plan Description**

The Township administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their families and the Township's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with the Township and the union representing the Township's employees. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy**

Police Retirement Health Plan - The required contribution is based on pay-as-you-go financing. For all employees with 12 years of service with the Township and attainment of the age 50, the Township pays 100% of the premium determined for health and prescription drug for the rest of the plan member's life. The member must pay any additional premium due to the coverage of spouse or other dependents. When a member reaches Medicare age, Medicare is the primary insurance. For the fiscal year ended December 31, 2023, the Township contributed \$10,132 (as estimated by the January 1, 2023 actuary valuation) to the plan related to retirees.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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Nonuniform Retirement Health Plan - The required contribution is based on pay-as-you-go financing. For all employees with attainment of the age 62, the Township pays 100% of the premium determined for health and prescription drugs for the rest of the plan member's life. The member's spouse and family are not eligible. When a member reaches Medicare age, Medicare is the primary insurance. For the fiscal year ended December 31, 2023, the Township contributed \$16,513 (as estimated by the January 1, 2023 actuary valuation) to the plan related to retirees.

**NOTE 10 - SEWAGE TREATMENT SERVICE AGREEMENT**

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The Township has an agreement with the Borough of Pottstown and the Pottstown Borough Authority (the "Borough") for sewage treatment and billing services.

Under the terms of the agreement, the Township has reserved capacity in the treatment plant, and billings to the Authority are based on the actual capacity used in relation to all capacity available to Pottstown. As capacity needs increase, plant expansion may need to take place. The Township has agreed to share in the costs based on its capacity reservation and usage.

The Township is also paying an annual rental for the capacity reserved which is adjusted for actual usage compared to total usage of all parties. In addition, according to the agreement, the Township is responsible for its share of debt service depending on improvement costs and the Township's share of capital contribution. If the Township pays its share with cash, no debt service is to be allocated. Annual operation, maintenance, and transportation charges are assessed. Total payments to the Borough of Pottstown for operation, maintenance, and transportation charges for 2023 were \$247,713, which includes the 2022 final cost allocation of \$33,577 relating to prior year.

The Township has contracted with the Borough, solely as an agent, to prepare, issue, and collect all bills for sewage service to Township customers.

**NOTE 11 - COMMITMENTS**

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The Township has one commitment under contract entered into related to the Anthony Wayne Drive Improvement Project. At December 31, 2023, the Township's remaining commitment on the contract is \$319,135. The Township plans to use existing funds in the sewer fund and general fund to fulfill the commitment.

**WEST POTTS GROVE TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 12 - RISK MANAGEMENT**

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The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss. There were no reductions in insurance coverages for the 2023 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 13 - FUND BALANCES**

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Details of the Township's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended December 31, 2023, were as follows:

**General Fund**

The general fund has nonspendable funds of \$450, restricted funds of \$251,855 representing unspent grant proceeds, assigned funds of \$516,203 for recycling services, and \$361,590 representing the appropriation of fund balance for the 2024 budget, and unassigned funds of \$11,508,934.

**Nonmajor Fund**

The nonmajor fund has restricted funds of \$547,202, consisting of unspent state liquid fuels funds restricted by state law.

**OTHER INFORMATION**

**WEST POTTS GROVE TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS**

**(UNAUDITED)**

**For The Year Ended December 31, 2023**

	*		
	Budget	Actual	Variance
<b>REVENUES</b>			
Real estate taxes	\$ 550,000	\$ 529,057	\$ (20,943)
Earned income taxes	450,000	555,299	105,299
Other taxes	157,000	153,363	(3,637)
Licenses, permits, and fines	70,400	72,748	2,348
Interest, rent, and investment income	100,500	256,651	156,151
Change in market value of investments	-	231,534	231,534
Intergovernmental	406,444	207,837	(198,607)
Charges for services	301,546	285,855	(15,691)
Other	-	139,841	139,841
	<b>TOTAL REVENUES</b>	<b>2,432,185</b>	<b>396,295</b>
<b>EXPENDITURES</b>			
General government	678,030	591,507	86,523
Public safety:			
Police	1,321,867	1,337,814	(15,947)
Fire	139,465	142,442	(2,977)
Other (planning, zoning, etc.)	115,924	160,515	(44,591)
Public works - sanitation	350,000	472,365	(122,365)
Public works - highways and streets	500,823	440,910	59,913
Culture and recreation	114,062	42,593	71,469
	<b>TOTAL EXPENDITURES</b>	<b>3,188,146</b>	<b>32,025</b>
	<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(755,961)</b>	<b>428,320</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	2,000	30,659	28,659
Transfers in	475,000	475,000	-
Transfers out	-	(24,812)	(24,812)
	<b>TOTAL OTHER FINANCING SOURCES</b>	<b>480,847</b>	<b>3,847</b>
	<b>NET CHANGE IN FUND BALANCE</b>	<b>(275,114)</b>	<b>\$ 432,167</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>12,914,146</b>	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 12,639,032</b>	

\* Original and Final Budget are the same.

**WEST POTTS GROVE TOWNSHIP**

**POLICE AND NONUNIFORM PENSION PLANS -  
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**(UNAUDITED)**

**SCHEDULE OF FUNDING PROGRESS\***

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
<b>POLICE PENSION PLAN</b>						
01/01/21	\$ 6,605,171	\$ 4,997,415	\$ (1,607,756)	132.2%	\$ 573,724	N/A
01/01/19	6,021,225	5,374,106	(647,119)	112.0%	807,880	N/A
01/01/17	5,649,814	5,073,035	(576,779)	111.4%	782,388	N/A
<b>NONUNIFORM PENSION PLAN</b>						
01/01/21	\$ 1,498,991	\$ 1,577,790	\$ 78,799	95.0%	\$ 213,895	36.8%
01/01/19	1,243,469	1,477,694	234,225	84.1%	323,629	72.4%
01/01/17	1,070,406	1,439,014	368,608	74.4%	208,502	176.8%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS\***

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
<b>POLICE PENSION PLAN</b>		
2023	\$ -	100%
2022	55,360	100%
2021	49,575	100%
2020	54,039	100%
2019	47,479	100%
2018	80,909	100%
<b>NONUNIFORM PENSION PLAN</b>		
2023	\$ 103,923	112%
2022	113,116	100%
2021	95,302	100%
2020	108,069	100%
2019	107,889	100%
2018	99,441	100%

\* Schedules prepared in accordance with actuarial valuations performed under PA Act 205.

**WEST POTTS GROVE TOWNSHIP**

**OTHER POSTEMPLOYMENT BENEFITS PLAN -  
SCHEDULE OF FUNDING PROGRESS**

**(UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>POLICE POSTEMPLOYMENT BENEFITS PLAN</b>						
01/01/23	\$ -	\$ 882,457	\$ 882,457	0.0%	\$ 503,900	175.1%
01/01/21	-	1,225,500	1,225,500	0.0%	484,430	253.0%
01/01/19	-	1,569,616	1,569,616	0.0%	817,172	192.1%
<b>NONUNIFORMED POSTEMPLOYMENT BENEFITS PLAN</b>						
01/01/23	\$ -	\$ 450,349	\$ 450,349	0.0%	\$ 64,813	694.8%
01/01/21	-	321,820	321,820	0.0%	N/A	N/A
01/01/19	-	331,611	331,611	0.0%	N/A	N/A