LOWER POTTSGROVE TOWNSHIP
POTTSTOWN, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

LOWER POTTSGROVE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

July 29, 2026

To the Board of Commissioners
Lower Pottsgrove Township
Pottstown, Pennsylvania

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities and each major fund of Lower Pottsgrove Township, Pottstown, Pennsylvania, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Unmodified Opinions on Governmental Activities and Major Funds

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lower Pottsgrove Township as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the primary government financial statements do not present fairly the financial position of the reporting entity of Lower Pottsgrove Township as of December 31, 2025, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Commissioners
Lower Pottsgrove Township

Basis for Adverse and Unmodified 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* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Pottsgrove Township 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 adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Reporting Entity

The financial statements include only the primary government of Lower Pottsgrove Township, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Lower Pottsgrove Township's legal entity. These primary government financial statements do not include financial data for Lower Pottsgrove Township's legally separate component unit which accounting principles generally accepted in the United States of America require to be reported with the financial data of Lower Pottsgrove Township's primary government.

Responsibilities of Management for the Financial Statements

Lower Pottsgrove Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower 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 GAAS and GAS 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.

To the Board of Commissioners
Lower Pottsgrove Township

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lower Pottsgrove Township's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Pottsgrove Township'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.

<u>Emphasis of Matters</u>

As discussed in Note 13 to the financial statements, Lower Pottsgrove Township's beginning net position has been restated due to error corrections. Our opinion is not modified with respect to this matter.

<u>Required Supplementary Information</u>

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, and the schedule of changes in the Township's net pension liability, investment returns, and related ratios - police pension plan; schedule of Township contributions - police pension plan; notes to schedule of Township contributions - police pension plan; schedule of changes in the Township's net pension liability, investment returns, and related ratios - non-uniformed pension plan; schedule of Township contributions - non-uniformed pension plan; notes to schedule of Township contributions - non-uniformed pension plan; schedule of changes in the Township's net OPEB liability, investment returns, and related ratios; and notes to schedule of Township OPEB contributions on pages 52 through 57 be presented to supplement the basic financial statements. Such information, 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

To the Board of Commissioners
Lower Pottsgrove Township

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2026, on our consideration of Lower Pottsgrove 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Pottsgrove Township's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

LOWER POTTSGROVE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2025

Our discussion and analysis of Lower Pottsgrove Township's ("the Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2025.

FINANCIAL HIGHLIGHTS

- *Government-wide Financial Statements* – The total net position (assets and deferred outflows less liabilities and deferred inflows) of the Township's primary government was $12,636,843.

- *Fund Financial Statements* – The assets of the Township exceeded its liabilities by $7,588,122 (fund balance).

- The Township's Real Estate Millage remained at 2.958 mills.

- The Fire Protection Tax millage remained at .66 mills.

- The Capital Reserve Tax remained at .75 mills.

- The Township's share of the Earned Income Tax remained at .5%.

- On March 16, 2026, Moody's reaffirmed the Township's Aa3 bond rating.

- On February 16, 2021, the Township completed settlement on the $8,475,000 General Obligation Bonds, Series of 2021 issue with the proceeds to be used for the costs of the design and construction of a new Township municipal building, the purchase of equipment for the public works and police department, repair of bridges, and the payment of the cost of issuing the bonds. As of December 31, 2025 the outstanding balance on the bonds was $7,720,000.

- The Township also guarantees $4,007,000 debt for its component unit, the Lower Pottsgrove Township Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections that provide a comprehensive look at the Township. The components of the report include the independent auditor's report, management's discussion and analysis, government-wide financial statements, fund financial statements, and notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report on the Township as a whole and begins with the statement of net position. One of the most important questions asked about the Township finances is, "Is the Township, as a whole, better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer that question. All the current year's revenues and expenses are taken into account, regardless of when cash is received or disbursed.

The government-wide financial statements include most of the Township's basic services including police, public works, highway maintenance, snow removal, trash collection, code enforcement, fire support, parks and recreation, street lights, and administration of general government. Earned income tax, property taxes, building permit fees, and charges for service finance most of these activities.

They do not include the legally separate component unit of the Lower Pottsgrove Township Authority. Separately audited annual financial reports of this component unit can be obtained from the Township office.

The following represents a condensed statement of net position for the Township's governmental activities as of December 31, 2025 and 2024:

Condensed Statement of Net Position

	2025	2024
Assets:		
Current assets	$ 8,626,404	$ 14,058,478
Capital assets	18,093,039	12,418,911
Total Assets	26,719,443	26,477,389
Deferred outflows of resources	1,317,411	879,975
Total Assets and Deferred Outflows of Resources	$ 28,036,854	$ 27,357,364
Liabilities:		
Current liabilities	$ 1,398,612	$ 1,169,485
Noncurrent liabilities	13,412,588	13,081,441
Total Liabilities	14,811,200	14,250,926
Deferred inflows of resources	588,811	79,095
Net Position:		
Net investment in capital assets	9,329,372	11,058,725
Restricted	297,969	357,961
Unrestricted	3,009,502	1,610,657
Total Net Position	12,636,843	13,027,343
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 28,036,854	$ 27,357,364

Government-wide Financial Analysis

At the end of the current fiscal year, the Township was able to report positive net position for government activities. The total net position of the Township's primary government was $12,636,843 on December 31, 2025. This was a decrease of $390,500 from the end of 2024.

General revenues for primary government governmental activities of the Township totaled $7,032,722 in 2025 while expenses for all governmental activities totaled $9,747,581. The government-wide financial statements can be found on pages 14 and 15 of this report. Information regarding capital assets can be found on page 33. Pages 17 and 19 of this financial report provide additional information on the reconciliation of the fund balances for governmental funds.

Fund Financial Statement Analysis

The fund financial statements provide detailed information about each fund, not the Township as a whole. Each year, the five members of the Board of Commissioners adopt an annual budget for each fund. The Board took a conservative approach when projecting revenues for 2025. Budgetary comparison statements have been provided for the general fund and the special revenue funds.

GENERAL FUND

The General Fund is the chief operating fund of Lower Pottsgrove Township. In 2025, the fund balance of the general fund decreased by $626,424 from 2024. The general fund provides many services for our residents including police and public safety, public works and highway maintenance, snow removal, trash collection, park and recreation, code enforcement, and general government.

General Fund revenues decreased by 4.52% or $390,081. General Fund expenses increased by 8.28% or $678,274.

Tax Revenues

Lower Pottsgrove Township has enacted an Earned Income Tax of .5%. The Earned Income Tax applies to wages and income earned by individuals living in the Township. Earned Income Tax has remained the Township's largest source of revenue with a total of $2,771,130 received in 2025 and $2,409,394 received in 2024. Earned Income Tax is collected by Berkheimer Associates under Act 32. Lower Pottsgrove Township's second largest source of revenue is from Real Estate Tax of 2.958 mills levied on the assessed value of each property in the Township and is collected by the elected Tax Collector and Township Treasurer. Real Estate Tax brought in $2,365,074 in 2025 versus $2,327,519 in 2024. The assessed value of the Township was $659,007,235. The discount period was from February 1 to March 31, face from April 1 to May 31, and a 10% penalty from June 1 to December 31. Portnoff Law Associates is appointed as the delinquent tax collector for Real Estate, Fire Protection, and Capital Reserve taxes.

Lower Pottsgrove Township receives ½ of one percent of Real Estate Transfer Tax each time a property is sold in the Township. In 2025, the Township received $361,981 compared to $340,705 in 2024. This source of revenue is always difficult to predict.

Local Services Tax increased by 36.14% this year. In 2025, $246,172 was received compared to $180,822 received in 2024.

Other Revenues

The general fund received $233,912 in interest earnings and rents for 2025 compared to $303,184 for 2024, a significant decrease from last year.

In 2025, $573,721 was received from grants from the Commonwealth of Pennsylvania including $32,938 for Act 101 recycling performance grant.

In 2025, the Township received $122,815 in revenue from permits and licenses compared to $223,161 in 2024.

Trash collection costs and fees – The year ended 2025 was the fifth year of a five-year contract with J. P. Mascaro for trash and single stream curbside recycling collection. Residents included in the trash contract were billed $258 annually or $64.5 per quarter. The total collected in 2025 was $833,064 compared to $803,851 in 2024. The majority of payments were received and deposited using Xpress Pay. Trash and sewer accounts are combined into one bill each quarter. Portnoff Law Associates is appointed as the delinquent trash collection firm.

Expenses

Gasoline/diesel prices trended downward slightly in 2025 for all departments.

For general government, total expenses for 2025 were $571,272 and $469,625 in 2024. General government expenses were up $101,647 or 21.64% from 2024.

For the Police Department, there were 19 sworn personnel as of December 31, 2025. The current contract expires on December 31, 2025. The Township is currently in negotiations with the Collective Bargaining Unit to renew their contract. Three police cars were purchased at a cost of $195,632. Firearms and ammo – offset by a grant received, equal $21,043. Overtime was higher. However, much of that was detail work that was reimbursed. Legal expenses were $2,944 in 2025 and $9,194 in 2024. Police department expenses were up $428,648 or 11.14% from 2024.

For planning and codes, the Township has a full-time codes officer and utilizes a third-party inspector for some inspections and property maintenance. The third-party inspection expenses were $4,168 in 2025 and $4,079 in 2024.

Lower Pottsgrove and Limerick Townships are exploring the opportunity to seek grant funding for the construction of the eastbound ramp at the Sanatoga interchange. The estimated cost would be approximately $6 million dollars. This does not include purchasing an acre of land from the Piazza Group for the ramp.

In 2025, $13,601 was paid for street light electric costs and $11,004 in 2024. Traffic control device expenditures were $42,969 less than 2024. This was due to the repair of the Keim & Buchert Signal using grant money ($22,406) and the repair of the traffic signal at High & Heritage using insurance money in the prior year.

The General Fund paid $0 in paving in 2025 and $0 in 2024. In 2025, the Township paid $36,966 in engineering for the North Adams Street Project. (When the project is complete, the Township will receive a $296,529 County Grant to offset expenses.) In 2025, $444,060 was paid in engineering for the Snell Road Bridge Project (emergency repair) and $28,241 in the prior year.

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

The Township continues to fund the Police and Non-Uniformed Pension plans along with State Pension Aid that is received from the State of Pennsylvania. The Township's portion of the contribution to the pension plans was $353,414 for 2025, $403,453 for 2024, $217,510 for 2023.

The Township's contribution to the Non-Uniformed Defined Contribution Plan was $23,955 for 2025, $17,263 in 2024, and $15,451 in 2023.

SPECIAL REVENUE FUNDS

Special Revenue Funds of the Township include the Park and Recreation and Liquid Fuels Funds. The assets of these funds are in separate bank accounts and can only be used for the purpose designated for each fund. The Township cannot use these assets for general operating expenses. They are only to be used to support the original purpose of the fund.

The **Park and Recreation fund** provides special events for the community including an egg hunt, summer concert series, and fall community day. These events are funded by contributions from local businesses in the community. In 2025, $0 was spent towards park improvements, $7,527 in 2024, and $11,333 in 2023. In 2025, $10,269 was spent on community events, $6,894 in 2024, and $8,543 in 2023.

The **State Liquid Fuels fund** is funded entirely by the Commonwealth of Pennsylvania for the purpose of highway related expenses. The type of allowable expenses is followed using PENNDOT guidelines. The revenue from the Commonwealth of Pennsylvania for 2025 was $331,804 compared to $333,377 in 2024. The State Liquid Fuels fund overlayed roads in the amounts of $236,074 in 2025 versus $247,116 in 2024. In 2025, $129,673 was spent for oil and chip, while $0 was spent in 2024; this will extend the life of the roads. Snow removal cost $90,529 for 2025 and $41,024 for 2024. This fund also pays for road signs and markings and maintenance and general highway maintenance.

CAPITAL RESERVE FUND

In 2025, $493,318 was collected for Capital Reserve Tax, and $469,514 was collected in 2024. In 2021, General Obligation Bonds were issued for $8,475,000 with the proceeds to be used for the design and construction of a new township municipal building, equipment for the public works and police departments, and the repair of bridges in the Township. In 2025, $442,375 was paid in debt service, $242,375 in interest, and $200,000 in principal payments. In 2024, $440,978 was paid in debt service, $250,978 in interest, and $190,000 in principal payments. Planning and construction began on the new building in 2024. In 2025, $5,116,609 was paid for construction of new township building. By the end of December 2025, the new municipal campus at 1963 East High Street was about ¾ of the way finished. A total of $104,413 was spent on the legal, financial advisors, architect, engineer, and construction manager in 2025. By December 31, the adjusted cost of the construction bids (adjusted for change orders) was $5,206,564. This was $84,928 less than originally awarded. The building was purchased for $3,500,000. Year-end soft costs were $629,319. By December 31, 2025, the project has incurred total costs of $8,236,165.

The Township's estimated arbitrage liability for 2025 was approximately $473,057. Municipal arbitrage liability is the amount a local government may owe the federal government if it earns too much investment income from money borrowed through tax-exempt bonds.

That said, when the Township issued these bonds back in 2021, the original plan was to use those funds to construct a new facility. However, after completing the design and bidding process during the pandemic, the construction bids received were significantly higher than anticipated and would have resulted in a project cost that was not financially responsible for taxpayers.

Rather than move forward with an overly expensive project, the Township reassessed its options and chose a more cost-effective approach. The Township purchased an existing building that could better meet its needs at a lower overall cost. The building was renovated and rehabilitated to serve the intended purpose.

Because the original construction project did not proceed as planned, some of the bond proceeds remained unspent for a longer period of time than originally anticipated. This created certain federal bond compliance requirements, including what is known as arbitrage liability. In simple terms, federal rules require municipalities to account for any investment earnings on bond funds that were not immediately spent on the project and pay that difference back.

The Township's decision to change course was made to protect taxpayer dollars and ensure that public funds were used in the most efficient and fiscally responsible manner possible while still achieving the community's goals.

FIDUCIARY FUNDS

The Township is the trustee for its employees' pension plans. It is also responsible for reporting other assets that can be only used for Township employees. The Township cannot use these assets to finance its operations. Full-time Police Pension Plan employees contribute 5% of their pay towards the pension plan. Full-time Non-Uniformed Defined Benefit Pension Plan employees and full-time Non-Uniformed Defined Contribution Pension Plan employees contribute 2% of their pay towards the pension plan. The Police Pension Plan investments gained 10% in 2025 compared to 40% in 2024. The Non-Uniformed Pension Plan investments gained 9.5% in 2025 compared to 42% in 2024. Additional information on the pension plans is provided in the financial statements.

Additional Pension Information

State Pension Aid did not cover the pension responsibility for the Township. For 2025, the shortfall for the pension plans that were paid by the General Fund totaled $353,414. This amount is the difference between the $706,694 in MMOs (Minimum Municipal Obligation) and the $353,280 State Pension Aid received. For 2024, the shortfall was $403,453. For 2023, the shortfall was $217,510.

The January 1, 2025 Act 205 valuation report is the most current that has been prepared by the Pension Plan Actuary.

The December 31, 2025, GASB 67 study for the Non-Uniformed Defined Benefit Pension Plan reflects the Non-Uniformed Pension Plan unfunded liability of $670,085 or 89% funded vs $718,591 or 87% funded as of December 31, 2024. The unfunded liability was allocated between the Township and the Authority. The Township reported $457,467 of an unfunded liability, and the Authority reported $212,618 of an unfunded liability. The Authority's financial information is excluded from the Township's financial statements.

The December 31, 2025, GASB 67 study for the Police Pension Plan reflects the Police Pension Plan unfunded liability of $2,529,339 or 80% funded. On December 31, 2024, the unfunded liability was $1,948,828 or 83% funded.

The latest GASB 75 study reflects the Police OPEB (Retiree Healthcare) estimated accrued liability as of December 31, 2025, was $1,270,160.

BUDGETS

The Township adopts an annual budget for each of the above funds. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate compliance with the budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

General Fund

In December 2025, the five members of the Board of Commissioners adopted an annual budget for each fund. The Board took a very conservative approach when projecting revenues for 2026 with a

General Fund budget of $10,288,903 compared with the 2025 General Fund budget of $9,892,815. The real estate tax rose 0.5 Mil to 3.458 Mils to cover the rising costs. Fire tax will remain the same at .66 mills.

In 2025, MG Architects of Wyomissing designed the layout for the new Township building. Construction began in October of 2024. The completion date was in February 2026. The Township officially moved in March 2026. The Township along with MG Architects bid the renovation project in July of 2024. Balton Construction won the bid for the General Contractor with a starting construction bid of $3,333,913. Integrity Mechanical won the bid for the HVAC/Mechanical with an initial bid of $814,900. Hard Hat Services won the bid for the Electrical with an initial bid of $664,190. Hirschberg Mechanical won the bid for Plumbing with an initial bid of $478,490. The original total of the renovation project was $5,291,493. By December 31, 2025, the adjusted cost of the construction bids (adjusted for change orders) was $5,206,564. This was $84,928 less than originally awarded. The building was purchased for $3,500,000. Year-end soft costs were $629,319. This is a total project cost of $8,236,165 by December 31, 2025. In 2026, the Township budgeted wrapping up this project and finalizing the Arbitrage Liability and paying that into the federal government, of which $473,000 was budgeted.

The Township entered a new contract with JP Mascaro for the 1st year of a five-year contract for the trash and single-stream curbside recycling collection. The trash collection fee went up by $15 per quarter from 2025. Trash will be billed in quarterly installments of $81. The trash bill is included on one bill with the sewer service. The Lower Pottsgrove Township Sewer Authority did not budget for any increases in 2026.

The Police department budgeted for a total of 20 sworn police personnel. No new patrolman were added into the 2026 budget.

The Township will continue to use the Rate Stabilization fund credits for our health insurance with Delaware Valley Health Trust and for workers compensation insurance from Delaware Valley Workers Compensation Trust.

The Township budgeted to complete the North Adams Street Bridge project. $630,000 was budgeted for this project for 2026. A Montgomery County Transportation grant of $310,145 will help to offset the completed cost.

Capital Reserve Fund

The 0.75 Mil Capital Reserve tax is budgeted to bring in $470,253 tax revenue in 2026. This tax will continue to fund debt service and future township infrastructure.

State Liquid Fuels Fund

The Liquid Fuels fund plans to overlay $354,931 in roads in 2026. Liquid Fuels aid of $327,247 was received in 2026 to help offset this cost. The current planned roads are Sanatoga, Lynn, Wendy, Kenny, and Brookside. No oil and chip is planned for 2026.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lower Pottsgrove Township Finance Director at 1963 East High Street, Pottstown, PA 19464 or telephone (610) 323-0436.

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS:	
Current Assets:	
Cash and cash equivalents	$ 6,214,561
Investments	1,622,488
Taxes receivable	608,021
Other receivables	181,334
Total Current Assets	8,626,404
Noncurrent Assets:	
Land	7,323,439
Construction in progress	36,966
Capital assets, net of accumulated depreciation	10,674,662
Right-of-use subscription assets, net	57,972
Total Noncurrent Assets	18,093,039
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows - pension	1,317,411
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,317,411
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 28,036,854
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES:	
Current Liabilities:	
Accounts payable and accrued expenses	$ 529,807
Escrow liabilities	566,447
General obligation bonds payable, net	232,927
Compensated absences	69,431
Total Current Liabilities	1,398,612
Noncurrent Liabilities:	
General obligation bonds payable, net	8,057,683
Arbitrage rebate liability	473,057
Compensated absences	624,882
Other post-employment benefits (OPEB) obligation	1,270,160
Net pension liability	2,986,806
Total Noncurrent Liabilities	13,412,588
TOTAL LIABILITIES	14,811,200
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows - pension	468,216
Deferred inflows - OPEB	120,595
TOTAL DEFERRED INFLOWS OF RESOURCES	588,811
NET POSITION:	
Net investment in capital assets	9,329,372
Restricted:	
Street maintenance	234,088
Parks and recreation	63,881
Unrestricted	3,009,502
TOTAL NET POSITION	12,636,843
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 28,036,854

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General government	$ 669,703	$ 166,262	$ 353,280	$ -	$ (150,161)
Public safety	5,128,091	343,362	124,260	-	(4,660,469)
Sanitation	1,262,847	836,409	63,243	-	(363,195)
Highway and streets	604,450	-	331,804	72,801	(199,845)
Culture and recreation	138,426	-	32,938	-	(105,488)
Employer paid benefits - pension	737,268	-	-	-	(737,268)
Insurance	233,355	-	-	-	(233,355)
Unallocated depreciation expense	728,400	-	-	-	(728,400)
Loss on disposal	17,714	-	-	-	(17,714)
All other expenditures	227,327	-	-	-	(227,327)
TOTAL GOVERNMENTAL ACTIVITIES	9,747,581	1,346,033	905,525	72,801	(7,423,222)
		GENERAL REVENUES			
		Taxes:			
		Taxes - real estate			2,858,392
		Taxes - earned income			2,771,130
		Taxes - other			644,500
		Franchise fees, licenses, and permits			217,829
		Fines and forfeits			40,297
		Unrestricted investment earnings and rents			438,124
		Miscellaneous			62,450
		TOTAL GENERAL REVENUES			7,032,722
		CHANGE IN NET POSITION			(390,500)
		NET POSITION, BEGINNING OF YEAR, RESTATED			13,027,343
		NET POSITION, END OF YEAR			$ 12,636,843

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Special Revenue: Liquid Fuels	Special Revenue: Park and Recreation	Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 5,679,910	$ 236,024	$ 54,013	$ 290,037	$ 244,614	$ 6,214,561
Investments	-	-	-	-	1,622,488	1,622,488
Taxes receivable	608,021	-	-	-	-	608,021
Other receivables	181,334	-	-	-	-	181,334
Due from other funds	-	180	-	180	662	842
Prepaid expenditures	57,972	-	-	-	-	57,972
TOTAL ASSETS	$ 6,527,237	$ 236,204	$ 54,013	$ 290,217	$ 1,867,764	$ 8,685,218
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 46,822	$ 2,116	$ -	$ 2,116	$ 292,295	$ 341,233
Accrued payroll and payroll taxes	188,574	-	-	-	-	188,574
Escrows liabilities	566,147	-	300	300	-	566,447
Due to other funds	842	-	-	-	-	842
TOTAL LIABILITIES	802,385	2,116	300	2,416	292,295	1,097,096
FUND BALANCES:						
Restricted:						
Restricted for street maintenance	-	234,088	-	234,088	-	234,088
Restricted for park and recreation	21,060	-	42,821	42,821	-	63,881
Assigned for park and recreation	-	-	10,892	10,892	-	10,892
Unassigned fund balance:						
Designated for infrastructure	1,117,328	-	-	-	120,741	1,238,069
Designated for capital construction	115,862	-	-	-	1,454,728	1,570,590
Designated for emergencies	1,400,000	-	-	-	-	1,400,000
Undesignated	3,070,602	-	-	-	-	3,070,602
TOTAL FUND BALANCES	5,724,852	234,088	53,713	287,801	1,575,469	7,588,122
TOTAL LIABILITIES AND FUND BALANCES	$ 6,527,237	$ 236,204	$ 54,013	$ 290,217	$ 1,867,764	$ 8,685,218

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
DECEMBER 31, 2025

TOTAL GOVERNMENTAL FUND BALANCES		$ 7,588,122
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 in the funds.		18,035,067
Long-term liabilities are not due or payable in the current period and, therefore, are not reported in the funds. Those items consist of:		
General obligation bonds payable, net	$ (8,290,610)	
Arbitrage rebate liability	(473,057)	
Compensated absences	(694,313)	
Net other post-employment benefits obligation	(1,270,160)	
Net pension liability	(2,986,806)	(13,714,946)
Deferred inflows and outflows of resources related to the Township's net pension and OPEB liabilities are based on the differences between actuarially determined actual and expected investment returns, changes of benefit terms, and changes of assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.		
Deferred outflows of resources - pensions	1,317,411	
Deferred inflows of resources - OPEB	(120,595)	
Deferred inflows of resources - pensions	(468,216)	728,600
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 12,636,843

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue: Liquid Fuels	Special Revenue: Park and Recreation	Total Special Revenue Funds	Capital Reserve Fund	Total Governmental Funds
REVENUES						
Real estate taxes	$ 2,365,074	$ -	$ -	$ -	$ 493,318	$ 2,858,392
Earned income taxes	2,771,130	-	-	-		2,771,130
Other taxes	644,500	-	-	-		644,500
Licenses and permits	217,829	-	-	-	-	217,829
Fines	40,297	-	-	-	-	40,297
Interest and rents	233,912	16,051	1,870	17,921	186,291	438,124
Intergovernmental revenues	573,721	331,804	-	331,804	-	905,525
Charges for services	1,346,033	-	-	-	-	1,346,033
Contributions and donations	-	49,001	23,800	72,801	-	72,801
All other revenues	53,224	9,226	-	9,226	-	62,450
TOTAL REVENUES	8,245,720	406,082	25,670	431,752	679,609	9,357,081
EXPENDITURES						
Current:						
General government	571,272	-	-	-	5,221,579	5,792,851
Police	4,277,914	-	-	-	-	4,277,914
Fire	563,538	-	-	-	-	563,538
Code enforcement, planning, zoning	229,125	-	-	-	-	229,125
Public works - sanitation	1,254,234	-	-	-	-	1,254,234
Public works - highways and streets	920,415	481,393	-	481,393	-	1,401,808
Culture and recreation	139,996	-	10,269	10,269	-	150,265
Employer paid benefits - pension	737,268	-	-	-	-	737,268
Insurance	174,729	-	-	-	-	174,729
Debt service	-	-	-	-	442,375	442,375
All other expenditures	3,653	82	-	82	-	3,735
TOTAL EXPENDITURES	8,872,144	481,475	10,269	491,744	5,663,954	15,027,842
NET CHANGE IN FUND BALANCES	(626,424)	(75,393)	15,401	(59,992)	(4,984,345)	(5,670,761)
FUND BALANCES, BEGINNING OF YEAR	6,351,276	309,481	38,312	347,793	6,559,814	13,258,883
FUND BALANCES, END OF YEAR	$ 5,724,852	$ 234,088	$ 53,713	$ 287,801	$ 1,575,469	$ 7,588,122

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (5,670,761)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the effect of these differences:		
Capital assets costs capitalized	$ 6,439,566	
Depreciation expense	(728,400)	
Capital assets sold/junked	(17,714)	5,693,452
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
General obligation bonds payable, net	226,797	
Compensated absences	(36,346)	
Arbitrage rebate liability	(8,014)	
Other post-employment benefits obligation	(23,937)	
Net pension liability, net of related deferred outflows and inflows	(571,691)	(413,191)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (390,500)

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
REVENUES			
Real estate taxes	$ 2,294,000	$ 2,365,074	$ 71,074
Earned income taxes	2,350,000	2,771,130	421,130
Other taxes	567,500	644,500	77,000
Licenses and permits	228,000	217,829	(10,171)
Fines	33,100	40,297	7,197
Interest and rents	156,000	233,912	77,912
Intergovernmental revenues	966,867	573,721	(393,146)
Charges for services/fees	1,147,750	1,346,033	198,283
Special assessments	100,000	-	(100,000)
Contributions and donations	252,340	-	(252,340)
All other revenue	108,250	53,224	(55,026)
TOTAL REVENUES	8,203,807	8,245,720	41,913
EXPENDITURES			
General government	629,026	571,272	57,754
Police	4,555,164	4,277,914	277,250
Fire	559,095	563,538	(4,443)
Code enforcement, planning, zoning	232,756	229,125	3,631
Public works - sanitation	1,267,342	1,254,234	13,108
Public works - highways and streets	1,540,634	920,415	620,219
Culture and recreation	153,314	139,996	13,318
Employer paid benefits - pension	756,830	737,268	19,562
Insurance	187,954	174,729	13,225
All other expenditures	10,700	3,653	7,047
TOTAL EXPENDITURES	9,892,815	8,872,144	1,020,671
NET CHANGE IN FUND BALANCE	(1,689,008)	(626,424)	1,062,584
FUND BALANCE, BEGINNING OF YEAR	6,351,276	6,351,276	-
FUND BALANCE, END OF YEAR	$ 4,662,268	$ 5,724,852	$ 1,062,584

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
BUDGETARY COMPARISON STATEMENT - LIQUID FUELS FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Interest and rents	$ 8,000	$ 16,051	$ 8,051
Intergovernmental revenues	326,550	331,804	5,254
Contributions and donations	40,900	58,227	17,327
TOTAL REVENUES	375,450	406,082	22,581
EXPENDITURES			
Public works - highways and streets	545,052	481,475	63,577
TOTAL EXPENDITURES	545,052	481,475	63,577
NET CHANGE IN FUND BALANCE	(169,602)	(75,393)	94,209
FUND BALANCE, BEGINNING OF YEAR	309,481	309,481	-
FUND BALANCE, END OF YEAR	$ 139,879	$ 234,088	$ 94,209

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
BUDGETARY COMPARISON STATEMENT - PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Interest and rents	$ 3,500	$ 1,870	$ (1,630)
Contributions and donations	5,800	23,800	18,000
TOTAL REVENUES	9,300	25,670	16,370
EXPENDITURES			
Culture and recreation	9,200	10,269	(1,069)
TOTAL EXPENDITURES	9,200	10,269	(1,069)
NET CHANGE IN FUND BALANCE	100	15,401	15,301
FUND BALANCE, BEGINNING OF YEAR	38,312	38,312	-
FUND BALANCE, END OF YEAR	$ 38,412	$ 53,713	$ 15,301

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2025

	Police Pension Fund	Non-Uniformed Pension Fund	Total Pension Trust Funds
ASSETS			
Cash and cash equivalents	$ 1,525,074	$ 213,942	$ 1,739,016
Investments	8,853,259	5,061,508	13,914,767
TOTAL ASSETS	$ 10,378,333	$ 5,275,450	$ 15,653,783
LIABILITIES			
Accounts payable	$ 34,985	$ 23,955	$ 58,940
TOTAL LIABILITIES	34,985	23,955	58,940
NET POSITION			
Restricted for pensions	10,343,348	5,251,495	15,594,843
TOTAL NET POSITION	10,343,348	5,251,495	15,594,843
TOTAL LIABILITIES AND NET POSITION	$ 10,378,333	$ 5,275,450	$ 15,653,783

The accompanying notes are an integral part of these financial statements.

LOWER POTTSGROVE TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Police Pension Fund	Non-Uniformed Pension Fund	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Township and state aid	$ 513,433	$ 193,261	$ 706,694
Employee contributions	130,526	10,036	140,562
Total Additions	643,959	203,297	847,256
Investment income (loss):			
Dividends and interest	14,610	439,275	453,885
Net appreciation (depreciation) in fair value of investments	801,527	7,027	808,554
Total Investment Income (Loss)	816,137	446,302	1,262,439
TOTAL ADDITIONS	1,460,096	649,599	2,109,695
DEDUCTIONS			
Benefits payments	419,820	298,815	718,635
Administrative expenses	12,637	10,044	22,681
TOTAL DEDUCTIONS	432,457	308,859	741,316
CHANGE IN NET POSITION	1,027,639	340,740	1,368,379
NET POSITION, BEGINNING OF YEAR	9,315,709	4,910,755	14,226,464
NET POSITION, END OF YEAR	$ 10,343,348	$ 5,251,495	$ 15,594,843

The accompanying notes are an integral part of these financial statements.

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Lower Pottsgrove Township ("the Township"), Montgomery County, Pennsylvania, is a First Class Township, formed in 1807. The Township is governed by five (5) elected Commissioners who serve a 4-year term. The Commissioners have the power to establish policies to be carried out by the Township. The Board of Commissioners manages the Township with the assistance of a Township Manager who is appointed. The Township's major sources of revenue include real estate and local enabling taxes.

Reporting Entity

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, and 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. Based upon the application of these criteria, the Township is considered to be an independent reporting entity.

Component Unit – The purpose of the Lower Pottsgrove Authority ("the Authority") is to perform all the sewer billings, collections, and maintenance within the Township. The Authority is a separate legal entity that acts independently of the Township. The Township Commissioners appoint the members of the Authority's Board, and the Township can impose its will on the Authority. The Authority is considered a component unit of the Township. These primary government financial statements do not include financial data for the Township's legally separate component unit, the Lower Pottsgrove Township Authority. Financial statements of the Authority may be obtained by contacting the Authority's administrative office located at 1963 East High Street Pottstown, PA 19464.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Township prepared these financial statements using the accrual basis of accounting. Revenues are recognized when they are both measurable and available. The Township considers revenues to be available if they are collected within 60 days of the end of the current

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

fiscal period. Expenditures are recognized when the liability is incurred. Debt service expenditures and expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Fund Financial Statements

The underlying accounting system of the Township is organized and operated based on separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses.

General Fund

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

Special Revenue Funds

These funds are established to account for the cash receipts of specific sources other than expendable trust or major capital projects that are legally restricted to disbursements for specific purposes. The assets of these funds are in separate bank accounts and can only be used for the purpose designated for that fund. The Township cannot use these assets for general operating expenses; they are only to be used to support the original purpose of the fund. The Township's special revenue funds include the following:

- *Liquid Fuels Fund* – This fund is used to account for the proceeds from the State Motor License Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations. This fund must be kept separate from all other funds, and no other funds shall be comingled with this fund.

- *Park and Recreation Fund* – This fund accounts for special events for the community of the Township. These events are funded by contributions from local businesses in the community.

Capital Reserve Fund

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary Funds

These funds account for assets held in a trustee capacity, or as an agent for others and cannot be used to support the Township's own programs.

- *Police and Non-Uniformed Pension Funds* – The Township is the trustee for its employees' pension plans. The Township cannot use these assets to finance operations.

Budget Policy

The Board of Commissioners annually adopts the budget for the General, Special Revenue, and Capital Reserve Funds of the Township. Budgetary control is legally maintained at the fund level. The Township's budget policy provides transfer authority to the Commissioners within and between categories as long as the total budget of the Township (net of interfund transfers) is not increased. All budget amounts presented in the accompanying financial statements and additional information have been adjusted for legally authorized revisions to the annual budgets during the year.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value with the exception of external investment pools which are recorded at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amounts, which reasonably estimates fair value.

The Township has a Police and Non-Uniformed Pension Fund Statement of Investment Policy to define investment policy regarding the investment management of Police and Non-Uniformed Pension Fund Assets. The policy limits the Township's allowable deposits or investments and addresses the specific types of risks to which the Township is exposed.

In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Accounts Receivable

Accounts receivables are reported at the amount of principal outstanding. Management closely monitors outstanding balances. Outstanding balances are liened only after management has exhausted reasonable collection efforts. Over time, all receivables are collected.

Capital Assets

Capital assets, including buildings and improvements, furniture and equipment, subscription assets, and right-to-use subscription assets are reported in the statement of net position as noncurrent assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets include only those costs incurred since January 1, 2004. Acquisitions of property and equipment, as well as expenditures for repairs, maintenance, renewals, and betterments that substantially prolong the useful lives of capital assets, costing $4,000 or more are capitalized. Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization of capital assets is computed on the straight-line method over the following estimated useful lives:

Building and improvements	15 - 40 years
Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	20 years
Right-of-use subscription assets	Term of subscription

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds when acquired.

Compensated Absences

The cost of vacation and sick pay is recognized in the fund financial statements at the time the vacation and sick days are used by the employee or are paid at termination. The liability for these compensated absences is recorded as long-term debt in the government-wide

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

statements. In the government-wide financial statements, the accrued liability is recorded as $694,313.

Vacation Pay

All police officers earn vacation based on a sliding scale that corresponds with years-of-service ranging from 40 hours to 200 hours per year. The Township requires that all vacation time be utilized during the year earned; however, the Police Chief may approve an officer's request to carry over vacation time for not more than 30 days if it is deemed in the best interest of the Police Department. Upon non-disciplinary termination or retirement, a police officer is eligible for payment of unused vacation days. As of December 31, 2025, the value of unused vacation days to police officers totaled $9,642.

All full-time non-uniformed employees earn vacation days based on a sliding scale that corresponds with years of service ranging from 40 hours to 184 hours per year. The Township requires that all vacation time be utilized during the year unless specific written approval is received to carry unused time to the subsequent year. Upon termination or retirement, employees are compensated for their unused vacation days. On December 31, 2025, the value of unused vacation days to non-uniformed employees totaled $47,495.

Sick Pay

All police officers are granted sick leave at the rate of 10 hours per month. A new police officer is granted 40 sick leave hours upon 90 days of employment. Upon non-disciplinary termination, a police officer is eligible for compensation based on 10% of unused sick time, not to exceed 104 hours. On December 31, 2025, the value of unused sick days to police officers totaled $620,432.

All full-time non-uniformed employees are granted sick pay at the rate of eight days per calendar year after one year of service. Non-uniformed employees may accumulate up to 30 sick days. Employees hired before January 1, 2015 will be grandfathered under the previous policy of 60 Days, but once he/she falls below the 30-day threshold, they will not be permitted to accumulate back up to 60 days. On December 31, 2025, the value of unused sick days to non-uniformed employees totaled $16,744.

Compensatory Hours/Time

Police officers can earn compensatory hours in lieu of monetary overtime compensation, at a rate of not less than 1½ hours of compensatory time for each hour of overtime worked. Compensatory hours can be accumulated to a maximum of 48 hours annually. If an officer chooses to carry time over to the next calendar year, that time will be deducted from the maximum 48 hours permitted for that preceding year. The value of compensatory hours on December 31, 2025 is $0.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-uniformed employees may request compensatory time off in lieu of overtime at the rate of 1½. Compensatory time off may be accumulated to a maximum of 40 hours and must be used by December 31 of each year. Any accrued, unused compensatory time remaining as of the last pay period in December will be included in the non-uniformed employee's final paycheck of the year.

Deferred Outflows of Resources

Deferred outflows of resources apply to a future period and will not be recognized as an expenditure until then. The deferred outflow of resources related to pension is the result of the changes in pension plan assumptions and the difference between projected and actual earnings on pension plan investments.

Long-term Debt

All long-term debt to be repaid from governmental-type resources is reported as liabilities.

Deferred Inflows of Resources

Deferred inflows of resources apply to a future period and will not be recognized as revenue until that time. The deferred inflow of resources related to pensions is the difference between expected and actual experience of the pension plan.

Fund Balance Classifications

The Township classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because the amounts are not in spendable form or are legally or contractually required to maintain intact.

Restricted – includes fund balance amounts that are restricted to specific purposes by external parties or by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that can only be used for specific purposes due to formal action of the Township's highest level of decision-making authority, which is the Board of Commissioners. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements.

Assigned – includes fund balance amounts that are constrained by the Township's intent to be used for specific purposes but are not restricted or committed.

Unassigned – includes the residual classification of fund balance of the General Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted Resources

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

Spending Policy

The Township Commissioners approved a stabilization policy whereby $1,400,000 is to be set aside for use in emergency situations.

Real Estate Tax Calendar

Property taxes are levied on February 1 and are payable on or before May 31. The tax levy ordinance for the 2025 calendar year levied taxes on February 1, 2025 at 4.368 for general (2.958 mills), fire protection (0.66 mills) and capital reserve (0.75 mills). Any unpaid taxes at the end of the year are reported to and collected by Portnoff Law Associates, Ltd. Unpaid taxes greater than $50 at the end of the year are liened. The taxes are levied based on assessed values on property. Assessed values approximate market value.

Use of Estimates

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. On December 31, 2025, the carrying amount of the Township's bank deposits (excluding the pension deposits) was $6,214,561 and the bank balance was $6,816,276, of which $500,000 (Category 1) was directly covered by depository insurance. Of the remaining deposits, $675,939, were collateralized with Pennsylvania Act No. 72 of 1971, which requires that financial institutions secure cash deposits of local governments by pledging a pool of assets, as defined by the Act, to cover all public funds deposited in excess of depository insurance amounts.

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

As of December 31, 2025, the Township also has deposits of $985,629 held with PA Invest. The money market accounts with PA INVEST had a credit rating of AAAm. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PA INVEST act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

As of December 31, 2025, the Township also has deposits of $3,020,042 held with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2025, PLGIT had a credit rating of AAAm. These investments mature within 30 days and are thus classified as cash on the statement of net position.

An amount of $1,634,666 is covered by an Irrevocable Standby Letter of Credit up to $6,700,000.

Investments

The Township Code authorizes the Township to invest in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, deposits in savings accounts or time deposits or share amounts of institutions, and certificates of deposit insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. The Township is also authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies, backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. Additionally, the Township may invest in shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Township funds.

As of December 31, 2025, the Township also had investments of $1,622,488 invested in State and Local Government Series securities.

As of December 31, 2025, the Township had the following investments:

	Fair Value	Level 1
Fixed income	$ 1,622,488	$ 1,622,488
	$ 1,622,488	$ 1,622,488

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

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. As of December 31, 2025, all of the Township's investments were covered by federal depository insurance.

Pension funds cash and investments are disclosed in Notes 7 and 8.

NOTE 4 CAPITAL ASSETS

Capital asset activity of the primary government for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 7,323,439	$ -	$ -	$ 7,323,439
Construction in progress	-	36,966	-	36,966
Total Capital Assets Not Being Depreciated	7,323,439	36,966	-	7,360,405
Capital assets being depreciated:				
Building and improvements	2,558,493	5,116,609	-	7,675,102
Equipment	1,727,372	292,377	(28,334)	1,991,415
Vehicles	1,402,899	205,112	(121,981)	1,486,030
Infrastructure	6,442,649	788,502	-	7,231,151
Subscription asset	96,620	-	-	96,620
Total Capital Assets Being Depreciated	12,228,033	6,402,600	(150,315)	18,480,318
Less: accumulated depreciation	(7,113,237)	(728,400)	132,601	(7,709,036)
Less: accumulated amortization	(19,324)	(19,324)	-	(38,648)
Governmental Activities, Net	$ 12,418,911	$ 5,691,842	$ (17,714)	$ 18,093,039

NOTE 5 LONG-TERM LIABILITIES

A schedule of long-term liabilities is as follows:

	Outstanding 01/01/25	Additions	Retirements	Outstanding 12/31/25	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 7,920,000	$ -	$ 200,000	$ 7,720,000	$ 210,000
Premium	597,407	-	26,797	570,610	22,927
Total General Obligation Bonds	8,517,407	-	226,797	8,290,610	232,927
Compensated absences	657,967	36,346	-	694,313	69,431
Arbitrage rebate liability	465,043	8,014	-	473,057	-
Net pension liability	2,439,410	547,396	-	2,986,806	-
Net OPEB liability	1,294,208	-	24,048	1,270,160	-
Total Governmental Activities	$ 13,374,035	$ 591,756	$ 250,845	$ 13,714,946	$ 302,358

The governmental activities long-term liabilities are expected to be repaid by the General Fund. Compensated absences changes are reported at net.

Aggregate debt service requirements are as follows:

Year Ending	Principal	Interest	Total
2026	$ 210,000	$ 231,600	$ 441,600
2027	220,000	225,300	445,300
2028	225,000	218,700	443,700
2029	230,000	211,950	441,950
2030	240,000	205,050	445,050
2031-2034	1,305,000	912,850	2,217,850
2035-2039	1,510,000	705,450	2,215,450
2040-2044	1,750,000	465,000	2,215,000
2045-2049	2,030,000	186,450	2,216,450
Totals	$ 7,720,000	$ 3,362,350	$ 11,082,350

Arbitrage Rebate Liability

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed

NOTE 5 LONG-TERM LIABILITIES (cont'd)

related interest expenditure on the bonds, must be remitted to the federal government every fifth anniversary of each debt issue. The Township used an independent consultant to evaluate the Township's outstanding tax-exempt debt for arbitrage rebate liability and determined that there is a potential arbitrage rebate liability. Should this liability be asserted in the future, the minimum amount of this liability will likely be $473,057. It is uncertain whether any additional liability will be imposed at such time.

NOTE 6 POLICE PENSION PLAN

Defined Benefit Plan

The Township administers and contributes to the police pension plan for police officers of the Township. The plans are governed by the Board of Commissioners, who are responsible for the management of the plan assets. The Board of Commissioners has delegated the management of certain plan assets to an investment advisor. The assets of the plans are invested separately, and each plan's assets may be used only for the payment of benefits to the members of the plans, in accordance with the terms of the plans.

Plan Descriptions, Contribution Information, and Funding Policies

Plan Description and Provision

The Township contributes to the Lower Pottsgrove Township Police Pension Plan, which is a single employer public employee retirement system ("PERS"). The pension plan also provides for death benefits and disability benefits to plan members and their beneficiaries. All full-time members of the police force join the plan upon completion of the first of the month coincident with or next following date of hire. Under the provisions of the Township's pension plan, pension benefits vest 100% after 12 years of credited service. Normal retirement is attained at the age of 50 and completion of 25 years of credited service. The normal retirement pension is payable monthly, equal to 50% of Final Average Salary ("FAS") over the last 3 years, plus a service increment of 2% of final average earnings for each year of service in excess of 25 years, subject to a $100 per month maximum increment. Employees who retire early with at least 20 years of credited service receive an actuarially reduced pension. Member contributions for 2025 were 5% of compensation, totaling $130,526. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Plan Membership

On January 1, 2025, the latest Act 205 report, the Township pension plans' memberships consisted of:

NOTE 6 POLICE PENSION PLAN (cont'd)

	Police
Active employees	20
Inactive members and beneficiaries currently receiving benefits	10
Inactive members entitled to but not yet receiving benefits	2
Total Membership	33

Basis of Accounting

The pension plans utilize the accrual basis of accounting. The pension plans are reflected as a fiduciary fund in these financial statements. Employee and employer contributions are recognized when due as required by Act 205 of the Commonwealth. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

In accordance with GAAP, investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the plan's deposits may not be returned. At December 31, 2025, the carrying amount of the plan's deposits was $1,525,074, of which $129,408 was directly covered by depository insurance and $1,395,666 was held with the Pennsylvania Local Government Investment Trust ("PLGIT").

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2025, PLGIT had a credit rating of AAAm. These investments mature within 30 days and are thus classified as cash and equivalents on the statement of net position.

Valuation of Investments

Pension plan investments are reported at fair value based on quoted market values. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income

NOTE 6 POLICE PENSION PLAN (cont'd)

securities are recognized on the transaction date. The following is a summary of investments held by the pension funds:

Investment Type	Fair Value	Level 1
Money markets	$ 414,659	$ 414,659
Equities	6,809,424	6,809,424
Fixed income corporate bonds	1,629,176	1,629,176
TOTAL	$ 8,853,259	$ 8,853,259

Interest Rate Risk

Fiduciary fund investments in corporate bonds are scheduled to mature during the years 2026 through 2035; the interest rates of the bonds range from 1% to 5.3%.

Net Investment Income

	Police
Interest and dividends	$ 14,610
Net unrealized gains	852,539
Investment fees	(51,012)
Total	$ 816,137

Funding Policy

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205. State aid allocations and Township contributions amounted to $513,433 for the year ended December 31, 2025. In addition, the employees contributed $130,526.

Annual Pension Cost, Net Pension Obligation, and Reserves

The police pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2025. Significant actuarial assumptions used include (a) a rate of return on the

NOTE 6 POLICE PENSION PLAN (cont'd)

investment of present and future assets of 6.25% per year compounded annually, and (b) projected salary increases of 4.0% per year compounded annually.

Contributions Required

The pension plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate suitable assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The pension plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period. Total contributions to the police pension plans in 2025 amounted to $513,433 consisting of $266,627 of state aid and $246,806 contributed by the Township.

Net Pension Liability

The net pension liability was measured as of December 31, 2025, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2025.

The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2024	$ 11,229,303	$ 9,315,709	$ 1,913,594
Service cost	344,456	-	344,456
Interest	738,650	-	738,650
Changes for experience	589,594	-	589,594
Changes for assumptions	390,504	-	390,504
Contributions - employer	-	513,433	(513,433)
Contributions - employee	-	130,526	(130,526)
Net investment income	-	816,137	(816,137)
Benefit payments, including refunds of member contributions	(419,820)	(419,820)	-
Administrative expenses	-	(12,637)	12,637
Net Changes	1,643,384	1,027,639	615,745
Balance at December 31, 2025	$ 12,872,687	$ 10,343,348	$ 2,529,339

NOTE 6 POLICE PENSION PLAN (cont'd)

The components of the net pension asset at December 31, 2025 were as follows:

Total pension liability	$ 12,872,687
Plan fiduciary net position	(10,343,348)
Net pension liability	$ 2,529,339
Plan fiduciary net position as a percentage of the total pension liability	80.35%

Past Service Costs

There are no unfunded liabilities for either plan for past service costs.

Actuarial Assumptions

The total pension liability in January 1, 2025 actuarial evaluation was determined using the following economic assumptions, applied to all periods included in the measurement:

Remaining amortization period	10 years
Inflation	3.0%
Salary increases	4%, average, including inflation
Investment rate of return	6.25%
Retirement age	Age 52 and 25 years of service

Mortality rates were based on the PubS-2010 Mortality Table, including rates for disabled retires and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

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

The following presents the net pension liability of the plan, calculated using the discount rate of 6.25%, as well as what the plan's net pension liability would be if it were calculated using a

NOTE 6 POLICE PENSION PLAN (cont'd)

discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Plan's net pension liability	$ 4,377,473	$ 2,529,339	$ 1,012,471

Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2025, the Township recognized pension expense of $766,792. At December 31, 2025, the Township reported deferred outflows and inflows of resources related to the police pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 400,457	$ -
Change in assumptions	861,922	-
Difference between actual and projected investment returns	-	317,003
Total Deferred Outflows and Inflows of Resources	$ 1,262,379	$ 317,003

The deferred amounts related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	
2026	$ 494,238
2027	124,725
2028	104,200
2029	222,213
	$ 945,376

Deferred Retirement Option Plan "DROP"

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

NOTE 7 NON-UNIFORMED PENSION PLAN

Plan Description and Provisions

The Lower Pottsgrove Township Non-Uniformed Employees' Pension Plan is a single employer defined benefit pension plan that provide retirement, disability, and death benefits to plan members and their beneficiaries.

The Township contributes to the Lower Pottsgrove Township Non-Uniformed Employees' Pension Plan, which is a single employer public employee retirement system. The pension plan provides for death benefits to plan members and their beneficiaries. All employees become members of the plan the first of the month coincident with or next following date of hire. Under the provisions of the Township's pension plan, pension benefits vest at 100% after 5 years of credited service. Effective in 2006, an employee may retire at age 62 with 20 years of credited service and receive a monthly pension equal to 2.2% of the employee's final 36-month average salary times the number of years of service, not to exceed 55% of FAS. Prior to 2006, the grandfather formula is 50% of FAS. In addition, an increment (after age 65 and 10 years of service) of 2% of final 36-month average salary for each year of service beyond normal retirement date to a maximum increment of $100 per month shall be paid for postponed retirements. Full-time non-uniformed employees contributed 2% of their pay towards the pension plan totaling $10,036 in 2025. The Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Plan Membership

On January 1, 2025, the latest Act 205 report, the Township pension plans' memberships consisted of:

	Non-Uniformed
Active member	6
Retired and benefit members	12
Vested members	10
Total Membership	28

Basis of Accounting

The pension plans utilize the accrual basis of accounting. The pension plans are reflected as fiduciary funds in these financial statements. Employee and employer contributions are recognized when due as required by Act 205 of the Commonwealth. Benefits are recognized when due and payable in accordance with the terms of the plan.

NOTE 7 NON-UNIFORMED PENSION PLAN (cont'd)

Method Used to Value Investments

In accordance with GAAP, investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the plan's deposits may not be returned. At December 31, 2025, the carrying amount of the plan's deposits was $213,942, of which $67,143 was directly covered by depository insurance and $147,799 was held with the Pennsylvania Local Government Investment Trust ("PLGIT").

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2025, PLGIT had a credit rating of AAAm. These investments mature within 30 days and are thus classified as cash and equivalents on the statement of net position.

Annual Pension Cost, Net Pension Obligation, and Reserves

The non-uniformed employees' pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2025. Significant actuarial assumptions used include (a) a rate of return on the investments of present and future assets of 6.25% per year compounded annually, and (b) projected salary increases of 4.00% per year compounded annually.

Valuation of Investments

Pension plan investments are reported at fair value based on quoted market values. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The following is a summary of investments held by the pension funds:

Investment Type	Fair Value	Level 1
Money markets	$ 141,040	$ 141,040
Equities	3,894,189	3,894,189
Fixed income corporate bonds	1,026,277	1,026,277
TOTAL	$ 5,061,508	$ 5,061,508

NOTE 7 NON-UNIFORMED PENSION PLAN (cont'd)

Interest Rate Risk

Fiduciary fund investments in corporate bonds are scheduled to mature during the years 2026 through 2035; the interest rates of the bonds range from 1% to 5.3%.

Net Investment Income

	Non-Uniformed
Interest and dividends	$ 439,275
Net unrealized gains	36,297
Investment fees	(29,270)
Total	$ 446,302

Funding Policy

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205. State aid allocations and Township contributions amounted to $193,261 for the year ended December 31, 2025. In addition, the employees contributed $10,036.

Annual Pension Cost, Net Pension Obligation, and Reserves

The non-uniform pension benefit obligation was determined as part of an actuarial valuation as of December 31, 2025. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 6.25% per year compounded annually, and (b) projected salary increases of 4.0% per year compounded annually.

Past Service Costs

There are no unfunded liabilities for either plan for past service costs.

Contributions Required

The pension plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to

NOTE 7 NON-UNIFORMED PENSION PLAN (cont'd)

accumulate suitable assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The pension plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period. Total contributions to the Non-Uniformed Pension Plan in 2025 amounted to $193,261, consisting of $86,654 of state aid and $106,607 contributed by the Township.

Net Pension Liability

The net pension liability was measured as of December 31, 2025, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2025.

The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2024	$ 3,843,155	$ 3,352,572	$ 490,583
Service cost	37,955	-	37,955
Interest	245,642	-	245,642
Changes for experience	15,447	-	15,447
Changes for assumptions	104,327	-	104,327
Contributions - employer	-	131,939	(131,939)
Contributions - employee	-	6,852	(6,852)
Net investment income	-	304,553	(304,553)
Benefit payments, including refunds of member contributions	(204,001)	(204,001)	-
Administrative expenses		(6,857)	6,857
Net Changes	199,370	232,486	(33,116)
Balance at December 31, 2025	$ 4,042,525	$ 3,585,058	$ 457,467

The components of the net pension asset at December 31, 2025 were as follows:

Total pension liability	$ 4,042,525
Plan fiduciary net position	(3,585,058)
Net pension liability	$ 457,467

NOTE 7 NON-UNIFORMED PENSION PLAN (cont'd)

Plan fiduciary net position as a percentage of the total pension liability	88.68%

Actuarial Assumptions

The total pension liability in the January 1, 2025 actuarial evaluation was determined using the following economic assumptions, applied to all periods included in the measurement:

Remaining amortization period	7 years
Inflation	3.0%
Salary increases	4%, average, including inflation
Investment rate of return	6.25%
Retirement age	Age 52 and 25 years of service

Mortality rates were based on the PubS-2010 Mortality Table, including rates for disabled retires and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

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

The following presents the net pension liability of the plan, calculated using the discount rate of 6.25%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Plan's net pension liability	$ 921,863	$ 457,467	$ 67,527

NOTE 7 NON-UNIFORMED PENSION PLAN (cont'd)

Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2025, the Township recognized pension expense of $177,473. At December 31, 2025, the Township reported deferred outflows and inflows of resources related to the non-uniform pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 47,934	$ -
Change in assumptions	7,098	-
Difference between actual and projected investment returns	-	151,213
Total Deferred Outflows and Inflows of Resources	$ 55,032	$ 151,213

The deferred amounts related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	
2026	$ 83,520
2027	(88,946)
2028	(72,959)
2029	(17,797)
	$ (96,182)

Defined Contribution Plan

The Township established a policy that all non-uniformed employees hired on or after February 1, 2021 will no longer be eligible to participate in the current Non-Uniformed Employees Defined Benefit Pension Plan but will be eligible to participate in the newly established Non-Uniformed Employees Defined Contribution Retirement Plan. Active participants are required to contribute 2% of their compensation. For the year ending December 31, 2025, the Township contributed 6% of eligible employees compensation totaling $23,955, and the employees contributed $10,036.

NOTE 8 NET PENSION LIABILITIES AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The Township's aggregate net pension liability, asset, and deferred inflows and outflows of resources are as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Police (See Note 6)	$ 2,529,339	$ 1,262,379	$ 317,003
Non-Uniformed (See Note 7)	457,467	55,032	151,213
Total	$ 2,986,806	$ 1,317,411	$ 468,216

NOTE 9 NET POST-EMPLOYMENT BENEFITS OBLIGATION ("OPEB")

Plan Description and Funding Policies

The Township provides insurance coverage for health, hospitalization, including vision and dental, for each retired police officer who retires from full-time employment with the Township and who is at least 52 and has completed 25 years of service (but not his/her spouse or other dependent family members). The Township will continue to provide the healthcare coverage for the officer until the earliest of the following:

a) the officer attains age 65; or b) the officer obtains other employment with equal or similar coverage available at no cost to the officer; or c) the officer's spouse obtains employment with fully paid health care for the officer; or d) the death of the officer. The plan is financed on a pay-as-you-go basis. Healthcare insurance premiums are paid from the Township's General Fund. In the fund financial statements, expenditures for post-retirement health care benefits are recognized as the insurance premiums are incurred. In the government-wide financial statements, expenses for post-retirement healthcare benefits are recognized in an amount equal to the net change in the net OPEB obligation. For the year ending December 31, 2025, the Township paid a total of $20,335 OPEB benefits to two retired police officers. The Township does not provide post-employment benefits to its non-uniformed retirees, their beneficiaries, or their dependents.

Plan Membership

At December 31, 2025, OPEB plan membership consisted of the following:

Active employees	19
Inactive members and beneficiaries currently receiving benefits	2
TOTAL	21

NOTE 9 NET POST-EMPLOYMENT BENEFITS OBLIGATION ("OPEB") (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.83% based on the asset allocation and the long-term expected rates of return.

Actuarial Assumptions

An actuarial valuation of the total OPEB liability is performed biennially. The total pension OPEB liability as of December 31, 2025 was determined as part of actuarial valuation at January 1, 2025. Updated procedures were used to roll forward January 1, 2025 liability to the plan's fiscal year ended December 31, 2025. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method as described below:

- Interest rate of 4.08% (at December 31, 2024), per annum
- Medical inflation of 8% in the first year gradually decreasing by 1% per year, to an ultimate rate of 5%.
- RP-2000 Mortality Table (Blue Collar) with generational improvement using Scale AA
- Sarason T-3 turnover rates
- Philadelphia FOP disability rates were assumed
- Retirement was assumed to occur immediately upon eligibility for benefits
- It was assumed that no money (as of December 31, 2024) has been set aside by the Township to offset the GASB 75 liability
- Entry age normal cost method expressed as a level percentage of pay

Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at December 31, 2024	$1,294,208	$ -	$1,294,208
Service cost	61,965	-	61,965
Interest cost	54,917	-	54,917
Differences between expected and actual experience	(120,595)		(120,595)
Contributions – employer	-	20,335	(20,335)
Benefit payments, including refunds of member contributions	(20,335)	(20,335)	-
Net changes	(24,048)	-	(24,048)
Balances at December 31, 2025	$1,270,160	$ -	$1,270,160

NOTE 9 NET POST-EMPLOYMENT BENEFITS OBLIGATION ("OPEB") (cont'd)

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 3.83%	Current Discount Rate 4.83%	1% Increase 5.83%
Net OPEB liability	$ 1,417,713	$ 1,270,160	$ 1,138,635

The amount of OPEB expense for the single employer plan recognized by the Township was $23,937 for the year ended December 31, 2025. At December 31, 2025, the Township reported deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ -	$ 120,595
	$ -	$ 120,595

Deferred inflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

Year Ending December 31,	
2026	$ (120,595)
	$ (120,595)

NOTE 10 COMMITMENT AND CONTINGENCIES

As of December 31, 2025, $36,966 was spent on the engineering costs for the future construction not under a formal contract.

Contingencies

Litigation – It is the opinion of management that there are no material contingent liabilities due to any pending or threatened litigation claims, or assessments against the Township.

NOTE 11 MANAGEMENT AGREEMENT

During 1991, the Township entered into a management agreement with the Lower Pottsgrove Township Authority ("the Authority") to manage and operate the sewer system in the Township and to perform other functions on behalf of the Authority. The agreement is automatically renewed for one-year terms. Management fees received during 2025 amounted to $120,000.

NOTE 12 RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss.

NOTE 13 PRIOR PERIOD ADJUSTMENTS

During the current year, the Township identified errors related to the accounting and reporting of compensated absences, capital assets, other post-employment benefits (OPEB) liability, unamortized debt premiums and related amortization expenses associated with outstanding debt obligations, and right-to-use assets. Management evaluated the impact of these items and recorded the necessary adjustments to properly state the Township's beginning balances in accordance with GASB.

The adjustments included revisions to accrued compensated absences, capital asset and related accumulated depreciation, recognition and measurement of the Township's OPEB liability and related deferred inflows/outflows of resources, and recognition of lease liabilities and related right-to-use subscription assets in accordance with applicable GASB standards.

As a result of these corrections, beginning net position/fund balance and related accounts were restated. Management believes the accompanying financial statements now properly reflect the Township's financial position and results of operations for the year presented.

	12/31/2024 as Previously Reported	Error Correction	12/31/2024 as Restated
Government-wide:			
Governmental activities	$ 13,958,789	$ (931,446)	$ 13,027,343
Total Primary Government	$ 13,958,789	$ (931,446)	$ 13,027,343

NOTE 14 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2025, expenditures exceeded General Fund appropriations (the legal level of budgetary control) in the following functions:

NOTE 14 EXCESS OF EXPENDITURES OVER APPROPRIATIONS (cont'd)

Fire	$	4,443

The excess of expenditures over appropriations was financed with expenditures under budget in other areas.

For the year ended December 31, 2025, expenditures exceeded Parks and Recreation Fund appropriations (the legal level of budgetary control) in the following functions:

Culture and recreation	$	1,069

The excess of expenditures over appropriations was financed with revenues that came in better than budgeted.

NOTE 15 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through July 29, 2026, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER POTTSGROVE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY, INVESTMENT RETURNS, AND RELATED RATIOS - POLICE PENSION PLAN

	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
TOTAL PENSION LIABILITY										
Service cost	$ 344,456	$ 304,074	$ 270,258	$ 242,978	$ 231,620	$ 231,620	$ 230,946	$ 205,091	$ 204,770	$ 174,722
Interest on total pension liability	738,650	699,378	677,636	643,744	574,235	543,186	483,225	451,775	422,101	408,324
Changes of benefit terms	-	-	-	23,189	23,189	-	-	-	-	-
Changes for experience	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	589,594	(19,825)	(230,186)	(27,052)	517,647	32,738	468,377	10,718	(204,077)	(91,413)
Changes of assumptions	390,504	-	747,436	-	343,778	-	223,111	-	140,083	-
Benefit payments	(419,820)	(419,820)	(419,820)	(432,109)	(419,820)	(338,731)	(375,502)	(172,717)	(162,362)	(162,362)
Net change in total pension liability	1,643,384	563,807	1,045,324	450,750	1,270,649	468,813	1,030,157	494,867	400,515	329,271
Total pension liability, beginning	11,229,303	10,665,496	9,620,172	9,169,422	7,898,773	7,429,960	6,399,803	5,904,936	5,504,421	5,175,150
Total pension liability, ending	$ 12,872,687	$ 11,229,303	$ 10,665,496	$ 9,620,172	$ 9,169,422	$ 7,898,773	$ 7,429,960	$ 6,399,803	$ 5,904,936	$ 5,504,421
PLAN FIDUCIARY NET POSITION, END OF YEAR	$ 10,343,348	$ 9,315,709	$ 7,940,165	$ 7,164,826	$ 8,071,953	$ 7,046,082	$ 6,129,826	$ 5,289,300	$ 5,199,134	$ 4,488,133
TOWNSHIP'S NET PENSION LIABILITY (ASSET)	$ 2,529,339	$ 1,913,594	$ 2,725,331	$ 2,455,346	$ 1,097,469	$ 852,691	$ 1,300,134	$ 1,110,503	$ 705,802	$ 1,016,288
Plan fiduciary net position as a percentage of total pension liability	80.35%	82.96%	74.45%	74.48%	88.03%	89.20%	82.50%	82.65%	88.05%	81.54%
Covered employee payroll	$ 2,610,521	$ 2,309,288	$ 2,391,899	$ 1,948,500	$ 1,953,885	$ 1,943,454	$ 1,943,454	$ 1,834,312	$ 1,834,312	$ 1,747,768
Township's net pension liability (asset) as a percentage of covered payroll	96.89%	82.87%	113.94%	126.01%	56.17%	43.88%	66.90%	60.54%	38.48%	58.15%

LOWER POTTSGROVE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWNSHIP CONTRIBUTIONS - POLICE PENSION PLAN

Actuarial Valuation Date	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2016	$ 207,408	$ 207,408	$ -	$ 1,747,768	11.87%
2017	214,045	214,045	-	1,834,312	11.67%
2018	240,534	240,534	-	1,848,536	13.01%
2019	247,223	247,223	-	1,943,454	12.72%
2020	339,808	339,808	-	1,954,190	17.39%
2021	340,976	340,976	-	1,953,885	17.45%
2022	390,096	390,096	-	1,948,500	20.02%
2023	390,556	390,556	-	2,391,899	16.33%
2024	522,082	522,082	-	2,309,288	22.61%
2025	513,433	513,433	-	2,610,521	19.67%

Notes to Schedule:

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date: January 1, 2025

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	4.00%, average, including inflation
Investment rate of return	6.25%
Retirement age	Normal retirement age
Mortality	2010 Public Sector Mortality Table using Scale MP-2020

LOWER POTTSGROVE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY, INVESTMENT RETURNS, AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN

	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
TOTAL PENSION LIABILITY										
Service cost	$ 37,955	$ 63,490	$ 53,292	$ 54,435	$ 57,754	$ 72,240	$ 71,036	$ 63,819	$ 62,698	$ 62,974
Interest on total pension liability	245,642	238,563	216,310	207,974	211,051	201,162	194,191	183,205	173,763	170,089
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Changes for experience	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	15,447	26,311	99,352	16,712	(131,580)	(8,432)	(34,764)	(5,709)	(58,669)	(4,458)
Changes of assumptions	104,327	-	371,095	-	66,759	-	58,783	-	52,083	-
Benefit payments	(204,001)	(183,840)	(156,533)	(161,276)	(120,034)	(108,101)	(101,943)	(102,178)	(108,000)	(104,377)
Net change in total pension liability	199,371	144,523	583,517	117,846	83,950	156,868	187,301	139,138	121,876	124,228
Total pension liability, beginning	3,843,155	3,698,631	3,115,114	2,997,268	2,913,318	2,756,450	2,569,149	2,430,011	2,308,136	2,183,907
Total pension liability, ending	$ 4,042,525	$ 3,843,155	$ 3,698,631	$ 3,115,114	$ 2,997,268	$ 2,913,318	$ 2,756,450	$ 2,569,149	$ 2,430,011	$ 2,308,136
PLAN FIDUCIARY NET POSITION, END OF YEAR	$ 3,585,058	$ 3,352,572	$ 2,919,741	$ 2,720,100	$ 3,149,819	$ 2,743,800	$ 2,403,258	$ 2,064,163	$ 2,066,456	$ 1,843,659
TOWNSHIP'S NET PENSION LIABILITY (ASSET)	$ 457,467	$ 490,582	$ 778,890	$ 395,014	$ (152,551)	$ 169,519	$ 353,193	$ 504,986	$ 363,556	$ 464,476
Plan fiduciary net position as a percentage of total pension liability	88.68%	87.23%	78.94%	87.32%	105.09%	94.18%	87.19%	80.34%	85.04%	79.88%
Covered employee payroll	$ 359,016	$ 336,299	$ 473,029	$ 471,600	$ 596,575	$ 564,606	$ 551,133	$ 577,632	$ 561,278	$ 544,222
Township's net pension liability (asset) as a percentage of covered payroll	127.42%	145.88%	164.66%	83.76%	-25.57%	30.02%	64.08%	87.42%	64.77%	85.35%

LOWER POTTSGROVE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWNSHIP CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Actuarial Valuation Date	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2016	$ 163,221	$ 163,221	$ -	$ 544,222	29.99%
2017	145,580	145,580	-	561,278	25.94%
2018	162,401	162,401	-	577,632	28.11%
2019	165,073	165,073	-	551,133	29.95%
2020	179,706	179,706	-	564,606	31.83%
2021	180,854	180,854	-	596,575	30.32%
2022	139,088	139,088	-	471,600	29.49%
2023	124,176	124,176	-	473,029	26.25%
2024	221,116	221,116	-	336,299	65.75%
2025	193,261	193,261	-	359,016	53.83%

* Not available due to biennially required Act 205 report.

Notes to Schedule:

Valuation Date: January 1, 2025

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	4.00%, average, including inflation
Investment rate of return	6.25%
Retirement age	Normal retirement age
Mortality	2010 Public Sector Mortality Table using Scale MP-2020

LOWER POTTSGROVE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY, INVESTMENT RETURNS, AND RELATED RATIOS

	MEASUREMENT DATE							
	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
TOTAL OPEB LIABILITY								
Service cost	$ 61,965	$ 61,695	$ -	$ -	$ 96,730	$ 84,386	$ 74,594	$ 74,747
Interest on total pension liability	54,917	78,090	-	-	31,875	45,442	46,168	46,748
Changes of benefit terms	-	-	-	-	-	-	-	-
Changes for experience	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(120,595)	(317,058)	-	-	(3,307)	(278,198)	203,565	(120,698)
Changes of assumptions	-	-	-	-	-	-	-	-
Benefit payments	(20,335)	(51,380)	-	-	(18,514)	(19,272)	(16,237)	(18,768)
Net change in total OPEB liability	(24,048)	(228,653)	-	-	106,784	(167,642)	308,090	(17,971)
Total OPEB liability, beginning	1,294,208	1,522,861	1,522,861	1,522,861	1,416,077	1,583,719	1,275,629	1,293,600
Total OPEB liability, ending	$ 1,270,160	$ 1,294,208	$ 1,522,861	$ 1,522,861	$ 1,522,861	$ 1,416,077	$ 1,583,719	$ 1,275,629
PLAN FIDUCIARY NET POSITION, END OF YEAR	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOWNSHIP'S NET OPEB LIABILITY	$ 1,270,160	$ 1,294,208	$ 1,522,861	$ 1,522,861	$ 1,522,861	$ 1,416,077	$ 1,583,719	$ 1,275,629
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	$ 2,610,521	$ 2,313,873	$ 2,391,899	$ 1,948,500	$ 1,928,527	$ 1,772,588	$ 1,956,761	$ 1,956,761
Township's net OPEB liability as a percentage of covered payroll	48.66%	55.93%	63.67%	78.16%	78.96%	79.89%	80.94%	65.19%

LOWER POTTSGROVE TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2018	$ 147,125	$ 18,768	$ 128,357	$ 1,956,761	0.96%
2019	147,125	16,237	130,888	1,956,761	0.83%
2020	147,060	19,272	127,788	1,772,588	1.09%
2021	147,060	19,864	127,196	1,928,527	1.03%
2022	147,060	18,514	128,546	1,948,500	0.95%
2023	147,060	20,628	126,432	2,391,899	0.86%
2024	139,785	21,480	118,305	2,313,873	0.93%
2025	139,785	20,335	119,450	2,610,521	0.78%

Notes to Schedule:
In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date:	January 1, 2025 projected to December 31, 2025
Methods and Assumptions:	
Actuarial cost method	Entry age normal percentage of pay
Medical inflation rate	8% increase in the first year, decreasing by 1% per year to an ultimate rate of 5%
Asset valuation method	Level dollar, closed
Inflation	3.00%
Wage inflation	3.50%
Salary increases	4.50%, average, including inflation
Long-term investment rate of return	4.08% (12/31/2024 Bond Buyer Municipal Bond Index AA) 4.83% (12/31/2025 Bond Buyer Municipal Bond Index AA)
Retirement age	Age 52 and 25 years of service
Mortality	RP-2000 Mortality Table (Blue Collar) with Scale AA

OTHER REPORT

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*

July 29, 2026

To the Board of Commissioners
Lower Pottsgrove Township
Pottstown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Pottsgrove Township ("the Township"), Pottstown, Pennsylvania, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 29, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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To the Board of Commissioners
Lower Pottsgrove Township

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2024-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2024-02, 2025-01, and 2025-02 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and recommendations as items 2024-01, 2024-02, 2025-01, and 2025-02.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2024-01 – AUDIT ADJUSTMENTS

Finding

During the prior year audit, it was noted that the internally prepared 2024 financial statements, before audit adjustments, had net income of $602,786. After the 2024 audit, net income was $441,931. This was a difference of $160,855.

Recommendation

Management should strengthen its year-end financial reporting and financial statement preparation process to ensure that the financial statements are complete, accurate, and prepared in accordance with the applicable financial reporting framework before they are provided for audit. This may include implementing additional supervisory review procedures, performing reconciliations of significant accounts, and documenting management's review of the financial statements prior to issuance.

Status

During the current year audit, we noted that the internally prepared financial statements required immaterial current-year audit adjustments. However, a material prior period adjustment was also identified and recorded, as described in finding 2025-01. Accordingly, while the prior-year finding related to material current-year audit adjustments has been resolved, the matter has been reported as a new finding in 2025-01 due to the material prior period adjustment.

2024-02 – REVENUE RECONCILIATION IN THE ACCOUNTING SOFTWARE

Finding

According to the Township's internal control procedures, revenue is entered into Sage (accounting software) after the reconciliation process-utilizing the reports from both Caselle (trash billing software) and Xpress bill-pay. After the revenue is entered into Sage at month end by the Finance Director, all utility accounts are reconciled in Sage. Cash is transferred based upon the revenue allocations. On December 31, 2024, the Authority owed the Township $213,889 of trash revenue received and deposited in Sewer Rents during 2024.

Recommendation

Management should strengthen its monthly reconciliation and review procedures to ensure that all trash revenues are accurately allocated and transferred to the Authority in a timely manner. Reconciliations between Caselle, Xpress Bill Pay, and Sage should be completed, reviewed, and documented each month, with any outstanding amounts investigated and resolved before month-end and year-end closing. Implementing a supervisory review of revenue allocations and transfers would help ensure that all amounts due are remitted promptly and reduce the risk of material year-end balances remaining unpaid.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Status

During our current year audit, we noted that the management is in the process of implementing a new system that will automatically post the revenue in the same system. However, until the conversion process is complete, this finding remains applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2025-01 – MATERIAL PRIOR PERIOD ADJUSTMENTS

Finding

During our current year audit, prior period adjustments were required to properly state the opening balances of compensated absences, capital assets, other post-employment benefits (OPEB) liability, unamortized debt premiums and related amortization expenses associated with outstanding debt obligations, and right-to-use subscription assets. The result of these adjustments resulted in a decrease of $931,446 to net position as of December 31, 2024.

Recommendation

It is recommended that management review the financial statements in detail to ensure appropriate disclosures are made and the amounts presented agree to the underlying accounting records. Ensuring that the statement of net position is accurate is vital to ensure amounts presented to potential grantors and the public present the complete picture of the Township's financial health.

2025-02 – INCOMPLETE PENSION DISCLOSURES

Finding

During our current year audit, it was noted that the Township has incorrectly disclosed information regarding the non-uniformed pension as it relates to the pension plan's allocation between the Township and the Township's legally separate authority. According to GASB 68 Paragraph 18, "If a primary government and its component units provide pensions through the same single-employer or agent pension plan, in the reporting entity's financial report, the requirements of paragraphs 37-47 of this Statement for note disclosures and required supplementary information for a single or agent employer should be applied. In that circumstance, in stand-alone financial statements, each government should account for and report its participation in the single-employer or agent pension plan as if it was a cost-sharing employer and should apply the requirements of paragraphs 48-82."

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Currently, the Township discloses in the notes to the financial statements the non-uniformed pension activity as an allocation of the Township's portion of the whole pension. The result are inaccurate footnote disclosures under GASB 68. However, amounts presented as net pension liability, deferred inflows of resources, and deferred outflows of resources on the statement of net position accurately reflect the Township's portion of the non-uniformed pension plan.

Recommendation

It is recommended that management review the financial statements in detail to ensure appropriate disclosures are made. It is also recommended that the Township review the allocation of the non-uniformed pension to determine the proper allocation of activity between the Township and the Authority.