



Lower Providence Township Eagleville, Pennsylvania Montgomery County

Financial Statements
Year Ended December 31, 2019



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

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LOWER PROVIDENCE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lower Providence Township, Eagleville, Pennsylvania as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lower Providence Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lower Providence Sewer Authority (discretely presented component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lower Providence Sewer Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lower Providence Township, Eagleville, Pennsylvania, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Lower Providence Township's 2018 financial statements, and our report dated May 24, 2019, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund, the schedules of changes in net pension liability and Township pension contributions and the schedules of changes in net OPEB liability and Township OPEB contributions on pages 3 through 13 and 56 through 60 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Providence Township, Eagleville, Pennsylvania's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, on our consideration of Lower Providence Township, Eagleville, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Providence Township, Eagleville, Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
May 18, 2020**

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

Management's discussion and analysis ("**MD&A**") of the financial performance of Lower Providence Township, Eagleville, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2019. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

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

FINANCIAL HIGHLIGHTS

- * On a government-wide basis including all governmental activities and the business-type activities, the assets and deferred outflows of resources of the Township exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2019 fiscal year of \$16,619,074. During the 2019 fiscal year, the Township had an increase in total net position of \$2,144,610. The net position of the governmental activities increased by \$2,144,610 all of which is related to governmental activities.
- * As of the close of the 2019 fiscal year, the Township's governmental funds reported combined ending fund balances of \$6,045,953, an increase of \$1,293,734 in comparison with the prior year.
- * The General Fund reported an increase in fund balance of \$1,108,987, bringing the cumulative balance to \$4,595,711 or 44.24% of total General Fund expenditures and other financing uses at the conclusion of the 2019 fiscal year.
- * General Fund revenues and other financing sources were \$1,510,342 or 15.12% more than budgeted amounts and General Fund expenditures and other financing uses were \$259,190 or 2.56% more than budgeted amounts resulting in a net positive variance of \$1,251,152.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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

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

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

In the government-wide financial statements, the Township's activities are divided into two categories:

Governmental Activities

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

Business-type Activities

The Township's business-type activities charge a fee to customers to help cover all or most of the cost of certain services it provides. The Township's solid waste activities are reported as business-type activities, which was discontinued as of December 31, 2018.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

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

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

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

Proprietary Funds

The Township maintained one type of proprietary fund. The Township's proprietary fund was an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township used an enterprise fund to account for the Solid Waste Fund until it was closed out in 2018.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

Fiduciary Funds

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

The fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 25 through 55 of this report.

Other Information

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

The required supplementary information and additional analysis can be found on pages 56 through 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2019 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$16,619,074. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2019 and 2018.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

	Governmental Activities		Business-Type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
ASSETS						
Current assets	\$ 9,876,257	\$ 6,380,985	\$ -	\$ -	\$ 9,876,257	\$ 6,380,985
Noncurrent assets	<u>17,598,920</u>	<u>17,601,402</u>	<u>-</u>	<u>-</u>	<u>17,598,920</u>	<u>17,601,402</u>
Total assets	<u>27,475,177</u>	<u>23,982,387</u>	<u>-</u>	<u>-</u>	<u>27,475,177</u>	<u>23,982,387</u>
DEFERRED OUTFLOWS						
Deferred charges - OPEB	-	136,582	-	-	-	136,582
Deferred charges - pensions	<u>753,307</u>	<u>2,437,716</u>	<u>-</u>	<u>-</u>	<u>753,307</u>	<u>2,437,716</u>
Total deferred outflows	<u>753,307</u>	<u>2,574,298</u>	<u>-</u>	<u>-</u>	<u>753,307</u>	<u>2,574,298</u>
LIABILITIES						
Current liabilities	3,803,930	1,611,114	-	-	3,803,930	1,611,114
Noncurrent liabilities	<u>5,457,376</u>	<u>9,908,615</u>	<u>-</u>	<u>-</u>	<u>5,457,376</u>	<u>9,908,615</u>
Total liabilities	<u>9,261,306</u>	<u>11,519,729</u>	<u>-</u>	<u>-</u>	<u>9,261,306</u>	<u>11,519,729</u>
DEFERRED INFLOWS						
Deferred credits - OPEB	624,639	-	-	-	624,639	-
Deferred credits - pensions	<u>1,723,465</u>	<u>562,492</u>	<u>-</u>	<u>-</u>	<u>1,723,465</u>	<u>562,492</u>
Total deferred inflows	<u>2,348,104</u>	<u>562,492</u>	<u>-</u>	<u>-</u>	<u>2,348,104</u>	<u>562,492</u>
NET POSITION						
Net investment in capital assets	14,189,344	13,465,320	-	-	14,189,344	13,465,320
Restricted	1,454,113	1,265,495	-	-	1,454,113	1,265,495
Unrestricted (deficit)	<u>975,617</u>	<u>(256,351)</u>	<u>-</u>	<u>-</u>	<u>975,617</u>	<u>(256,351)</u>
Total net position	<u>\$16,619,074</u>	<u>\$14,474,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,619,074</u>	<u>\$14,474,464</u>

The Township's total assets as of December 31, 2019 were \$27,475,177 of which \$7,032,140 or 25.59% consisted of unrestricted cash and \$17,598,920 or 64.05% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2019 were \$9,261,306 of which \$3,409,576 or 36.82% consisted of general obligation debt used to acquire and construct capital assets, \$1,685,036 or 18.19% consists of the actuarially determined net pension liability, and \$2,420,228 or 26.13% consists of escrow deposits.

The Township had unrestricted net position of \$975,617 at December 31, 2019. The Township's unrestricted net position increased by \$1,231,968 during 2019 primarily due to the results of current year operations and the current year change in its net pension and OPEB liabilities and related deferred outflows and inflows.

A portion of the Township's net position reflects its restricted net position which totaled \$1,454,113 as of December 31, 2019. All of the Township's restricted net position relate to the net position of the Township's special revenue, capital and debt service funds.

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2019, the Township's net investment in capital assets increased by \$724,024 primarily because capital assets were acquired with funding sources other than long-term debt.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

The following table presents condensed information for the *Statement of Activities* of the Township for 2019 and 2018:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
REVENUES						
Program revenues						
Charges for services	\$ 1,381,994	\$ 1,509,079	\$ -	\$ 360	\$ 1,381,994	\$ 1,509,439
Operating grants and contributions	1,780,428	1,647,304	-	-	1,780,428	1,647,304
Capital grants and contributions	527,949	336,048	-	-	527,949	336,048
General revenues						
Taxes	11,151,529	9,753,527	-	-	11,151,529	9,753,527
Franchise fees	453,769	456,817	-	-	453,769	456,817
Investment earnings	168,466	162,050	-	-	168,466	162,050
Gain on sale of capital assets	922	19,848	-	-	922	19,848
Total revenues	<u>15,465,057</u>	<u>13,884,673</u>	<u>-</u>	<u>360</u>	<u>15,465,057</u>	<u>13,885,033</u>
EXPENSES						
General government	1,813,732	1,882,158	-	-	1,813,732	1,882,158
Public safety	7,913,261	8,285,031	-	-	7,913,261	8,285,031
Health and human services	5,500	5,500	-	-	5,500	5,500
Public works	2,099,068	1,679,702	-	-	2,099,068	1,679,702
Culture and recreation	1,414,902	1,554,271	-	-	1,414,902	1,554,271
Community development	395	43,240	-	-	395	43,240
Interest and amortization expense related to noncurrent liabilities	73,589	89,443	-	-	73,589	89,443
Solid waste operations	-	-	-	-	-	-
Total expenses	<u>13,320,447</u>	<u>13,539,345</u>	<u>-</u>	<u>-</u>	<u>13,320,447</u>	<u>13,539,345</u>
Change in net position (deficit) before transfers	2,144,610	345,328	-	360	2,144,610	345,688
TRANSFERS	-	(18,984)	-	18,984	-	-
CHANGE IN NET POSITION	<u>\$ 2,144,610</u>	<u>\$ 326,344</u>	<u>\$ -</u>	<u>\$19,344</u>	<u>\$ 2,144,610</u>	<u>\$ 345,688</u>

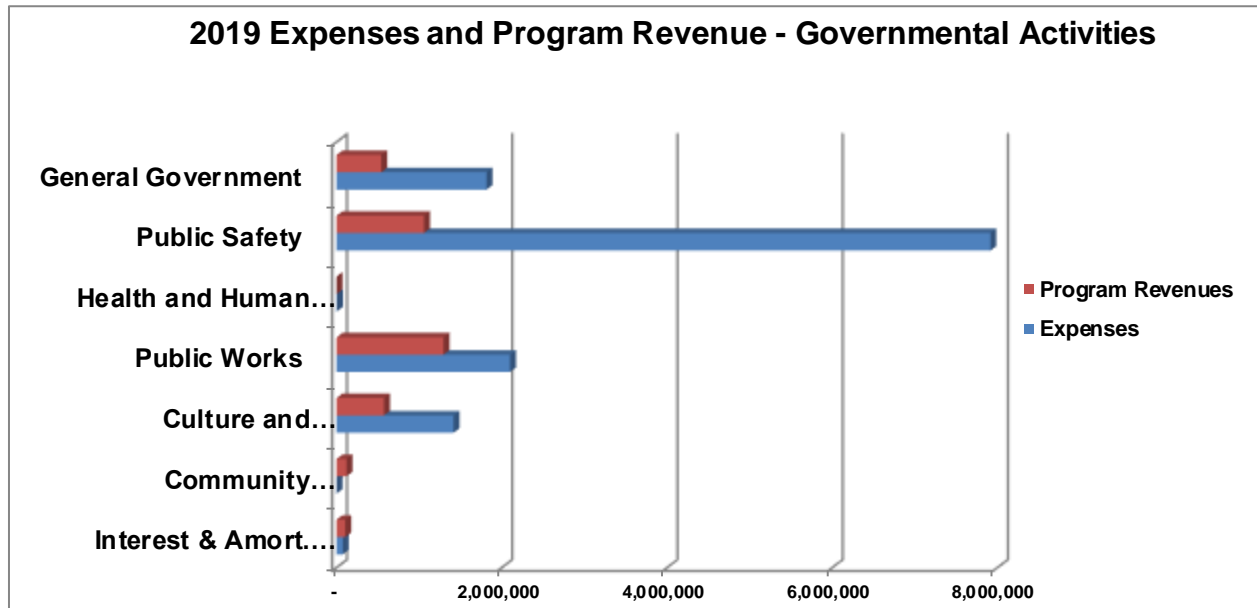
Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and residential and commercial development and negotiated contracts have a potential to offset these gains in future fiscal years.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

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

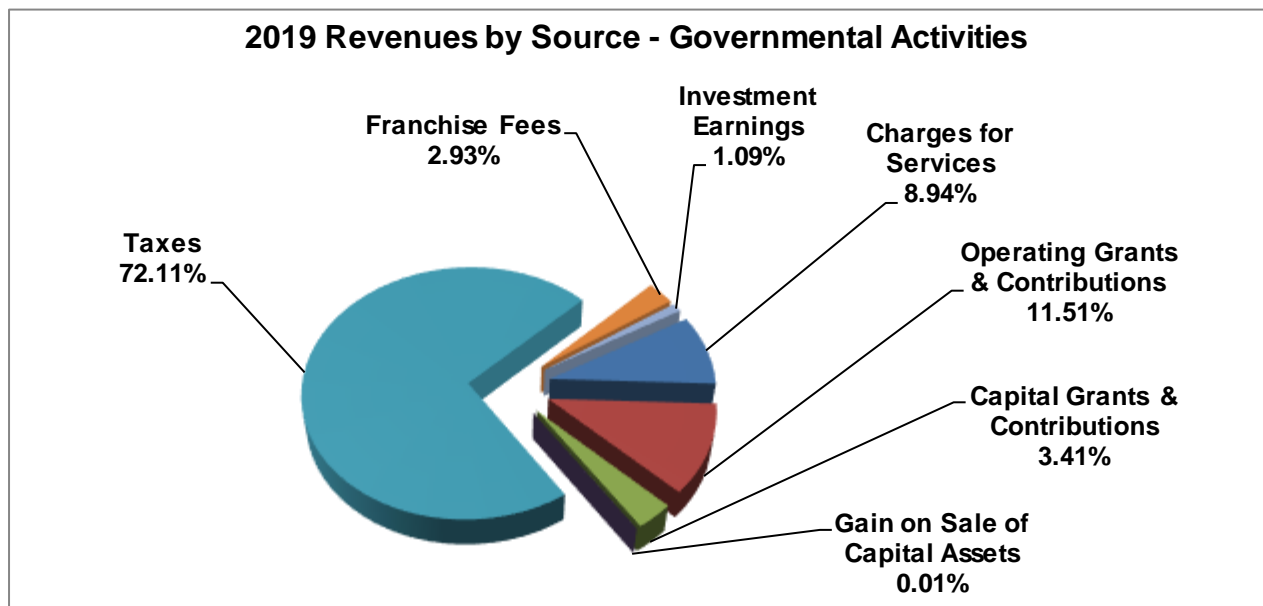
LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019



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



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2019, the Township's governmental funds reported a combined fund balance of \$6,045,953 which is an increase of \$1,293,734 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2019 and 2018 and the total 2019 change in governmental fund balances.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

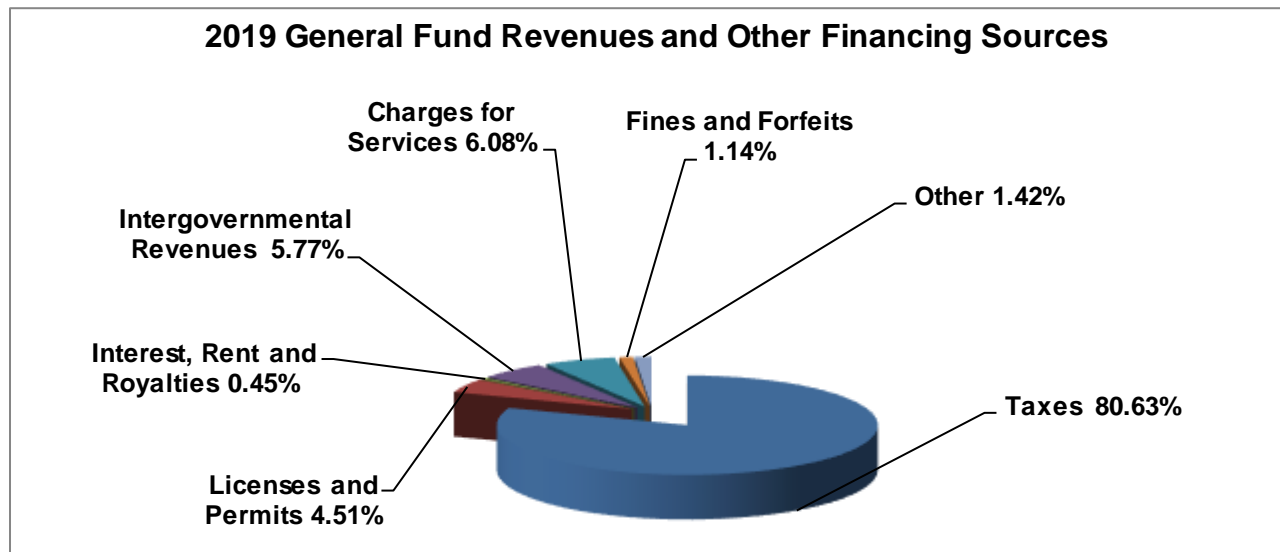
December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>
General Fund	\$4,595,711	\$3,486,724	\$ 1,108,987
Unrestricted Capital Fund	508,458	671,736	(163,278)
Highway Improvement Capital Reserve Fund	-	(175)	175
Nonmajor Governmental Funds	<u>941,784</u>	<u>593,934</u>	<u>347,850</u>
	<u>\$6,045,953</u>	<u>\$4,752,219</u>	<u>\$ 1,293,734</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2019 fiscal year the General Fund fund balance was \$4,595,711 representing an increase of \$1,108,987 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2019 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 80.63% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$ 9,270,429	\$ 8,388,389	\$ 882,040	10.52
Licenses and permits	518,944	517,902	1,042	0.20
Fines and forfeits	130,873	123,032	7,841	6.37
Interest, rents and royalties	51,246	47,859	3,387	7.08
Intergovernmental revenues	663,303	658,088	5,215	0.79
Charges for services	699,539	870,113	(170,574)	(19.60)
Other	<u>162,547</u>	<u>105,127</u>	<u>57,420</u>	<u>54.62</u>
	<u>\$11,496,881</u>	<u>\$10,710,510</u>	<u>\$ 786,371</u>	<u>7.34</u>

LOWER PROVIDENCE TOWNSHIP

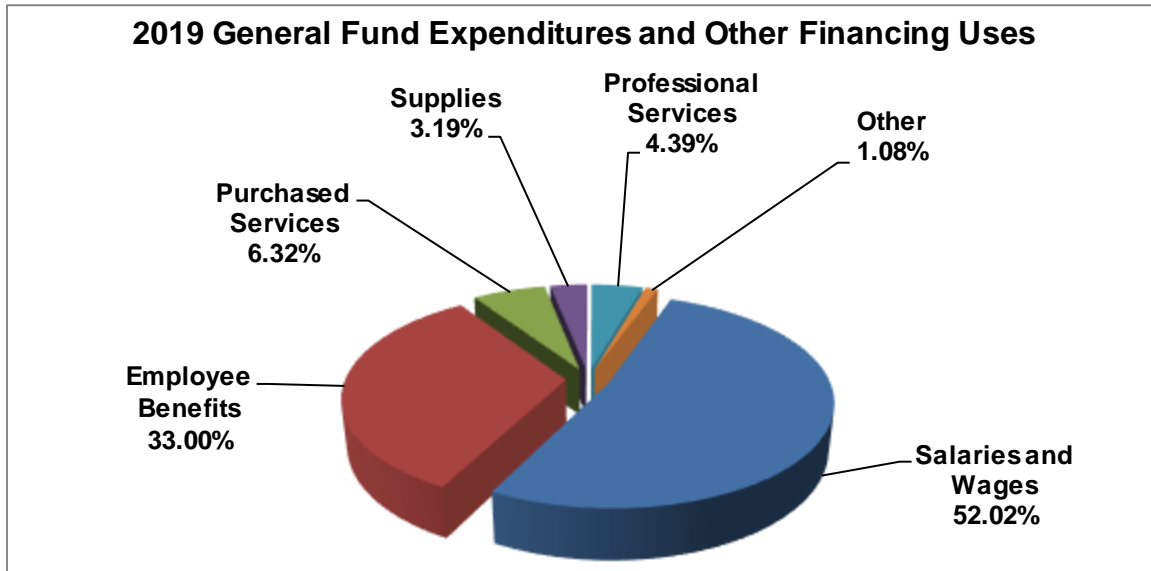
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

Taxes increased by \$882,040 or 10.52% primarily due to an increase in earned income and transfer taxes received in 2019 compared to 2018.

Charges for services decreased by \$170,574 or 19.60% due to decreases in various services related to building, electrical, plumbing, and HVAC permits.

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



General Fund Expenditures and Other Financing Uses

	2019	2018	\$ Change	% Change
Salaries and wages	\$ 5,403,728	\$ 5,240,744	\$ 162,984	3.11
Employee benefits	3,427,646	3,250,764	176,882	5.44
Supplies	331,395	407,450	(76,055)	(18.67)
Purchased services	656,525	632,699	23,826	3.77
Professional services	456,198	452,861	3,337	0.74
Other	112,402	422,399	(309,997)	(73.39)
Transfers out	-	447,156	(447,156)	(100.00)
	<u>\$10,387,894</u>	<u>\$10,854,073</u>	<u>\$(466,179)</u>	<u>(4.29)</u>

Salaries and wages increased by \$162,984 or 3.11% primarily as a result of scheduled salary increases within the Township's collective bargaining units negotiated with the police and public works employees.

Employee benefits increased by \$176,882 or 5.44% as a result of increased medical costs associated with negotiated contracts and a general increase in benefits associated with wages.

Supplies decreased by \$76,055 or 18.67% as a result of higher costs in 2018 related to a stormwater pipe replacement project on Pinetown Road.

Other expenditures decreased by \$309,997 or 73.39% as a result of segregating certain emergency services activities into a separate governmental fund for 2019.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

Transfers out in 2018 represent amounts appropriated to the Capital Projects Fund for approved capital projects.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for financial resources that are restricted, committed, or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Unrestricted Capital Fund is used to account for contributions and transfers from other funds for the purpose of unexpected or emergency capital improvement expenditures. During 2019, the Unrestricted Capital Fund fund balance decreased by \$163,278 for a cumulative balance of \$508,458 as of December 31, 2019 which is committed for future capital purchases. The Highway Improvement Capital Reserve Fund accounts for revenues generated from traffic impact fees as established by Township ordinance for the purpose of serving future transportation needs of the Township. Impact fees are deferred or held in deposit until services are provided.

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue funds, capital projects funds and a debt service fund. Special revenue funds are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes. The nonmajor special revenue funds include the Library Fund, the Parks and Recreation Operating Fund, the Highway Aid Fund, Emergency Services Fund and the Tree Fund. The nonmajor capital projects funds include the Liquid Fuels Funded Loans Fund, Parks and Recreation Capital Reserve Fund, West End Capital Improvements Fund, Sidewalk Fund, Stormwater Fund and Capital Projects Fund. Major revenue sources for these funds include taxes, intergovernmental revenues and charges for services. During 2019, the Nonmajor Governmental Funds fund balance increased by \$347,850 for a cumulative balance of \$941,784 as of December 31, 2019. Of the cumulative fund balance at December 31, 2019, \$198,003 is restricted for the Highway Aid Fund. The Highway Aid Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department. Also, within the nonmajor governmental funds the Debt Service Fund fund balance of \$60,829 is restricted for debt service and the Parks and Recreation Capital Reserve Fund fund balance of \$301,902 is restricted parks and recreation capital projects. More detailed information regarding the nonmajor governmental funds can be found in the combining and individual fund financial statements on pages 61 and 62.

GENERAL FUND BUDGET INFORMATION

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

General Fund revenues and other financing sources were \$1,510,342 or 15.12% more than budgeted amounts and General Fund expenditures and other financing uses were \$259,190 or 2.56% more than budgeted amounts resulting in a net positive variance of \$1,251,152. The positive variance is primarily due to real estate transfer and earned taxes received more than budget.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on page 56. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounted to \$17,598,920, net of accumulated depreciation. This investment in capital assets includes land, land improvements, infrastructure, buildings, and machinery and equipment. The total net decrease in the Township's investment in capital assets for 2019 was \$2,482 or 0.01%. The decrease was the result of current year depreciation and the net book value of disposals in excess of current year capital additions.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

Current year capital additions were \$878,891, net book value of disposals were \$9,942, and depreciation expense was \$871,431.

Major capital additions for the current fiscal year included the following:

Governmental activities:	
Infrastructure repaving projects	\$610,593
Pinetown road culvert project	\$ 91,861
Police vehicles	\$108,756

NONCURRENT LIABILITIES

As of December 31, 2019, the Township had total general obligation debt of \$3,409,576 consisting entirely of notes payable. The entire amount is backed by the full faith and credit of the Township. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Township's general obligation debt for the current fiscal year was \$726,506 or 17.57%.

The Township reports its defined benefit unfunded pension liability and its net liability (asset) for post-employment benefits on its statement of position. The Township's unfunded net pension liability and net liability (asset) for post-employment benefits are actuarially determined liabilities that totaled \$1,685,036 and \$(37,107), respectively, as of December 31, 2019. These liabilities decreased by \$3,816,953 or 69.85% during current year.

Other noncurrent liabilities consist of the Township's liability for compensated absences.

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

Lower Providence Township, Montgomery County, Pennsylvania, is located along several major transportation corridors, which include U.S. Route 422, U.S. Route 363 and Ridge Pike. One of Montgomery County's largest industrial parks, Park Pointe at Lower Providence Business Park (formerly Valley Forge Corporate Center) is located in the Township. Over 4,500 individuals work in this Business Park.

Lower Providence Township remains steadfast in its revitalization efforts for Park Pointe at Lower Providence and throughout the entire township, diligently working to retain and expand our employment base and fill vacant building with new businesses. The Township implemented a Local Economic Revitalization Tax Assistance ("**LERTA**") for a significant property in Park Pointe that has been vacated for over 10 years and is currently being remediated. The transportation improvements to the Route 422 corridor are critical to this effort, and the Township remains active in the U.S. 422 Corridor Coalition. These improvements are under construction by PennDOT at a cost of \$16.5 million. A full-service interchange at the Trooper Road location of 422 opened on December 1, 2015. The 422 bridge reconstruction and widening is expected to be completed in 2020. Correspondingly, the Township's Business Park is already experiencing the bidding up of property values in the Business Park due to the increased transportation access that the project will accommodate and it is only expected to get better when the bridge is completed. Furthermore, the project has already fostered rejuvenation of previously shelved development projects in the Business Park. In 2019, the Township saw some significant property sales in the Business Park showing the increased property values as a result of the above implemented improvements as well as property owners investing in their properties.

The Township adopted a balanced 2020 General Fund budget totaling \$10,779,379 and the real estate tax millage rate remained unchanged at 0.905 mills for general purposes.

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

The Township serves an area of roughly 14.77 square miles and contains an approximate population of 25,000 residents with a median residential home price of \$296,000.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2019

Collection of the earned income tax is a good indicator of local economic conditions. For 2019, the Township's collection of this tax was \$6,212,082, an increase of \$621,057 or 11.11% from the prior year.

Real estate taxes have remained stagnant for the past 10 years and the Township has not experienced any natural increases in real estate tax collection.

The financial and economic indicators for the Township continue to be moderately conservative for 2020. A five-year capital budget has been developed in order to address road, infrastructure and equipment needs. Roads have been identified and prioritized for resurfacing for the next five years as part of the five-year budget. Furthermore, the five-year capital budget identifies the Township's vehicle and technology replacement needs and individual departmental schedules have been identified. In each case, the five-year capital budget provides direct appropriation or financing to fund the capital needs. As in the past, the Township must aggressively manage all respective funds exploring all avenues for third-party funding, grants, appropriations and sponsorships to ensure that the Township is in an excellent financial position thereby maintaining our AA (Standard and Poor's) and restored an Aa2 (Moody's) bond ratings. The Township has also established a Revenue Generation Subcommittee who will explore options to generate revenues to support our operational and capital needs moving forward.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Montgomery County, Pennsylvania for what may be an extended period of time. Future potential impacts may include disruption of Township services and impairment of the ability to generate revenues. The future effects of these issues are unknown.

REQUESTS FOR INFORMATION

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

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2019 with summarized comparative totals for 2018

			Primary Government		Component
	Governmental	Business-type	Totals		Unit
	Activities	Activities	2019	2018	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash	\$ 7,032,140	\$ -	\$ 7,032,140	\$ 5,646,064	\$ 1,523,587
Restricted cash	2,420,228	-	2,420,228	220,187	-
Investments	-	-	-	-	750,002
Taxes receivable	148,433	-	148,433	106,023	-
Accounts receivable	257,718	-	257,718	356,891	1,554,522
Other current assets	17,738	-	17,738	51,820	26,208
Total current assets	9,876,257	-	9,876,257	6,380,985	3,854,319
NONCURRENT ASSETS					
Capital assets, net	17,598,920	-	17,598,920	17,601,402	19,162,346
Total assets	27,475,177	-	27,475,177	23,982,387	23,016,665
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding of debt	-	-	-	-	212,597
Deferred charges - OPEB	-	-	-	136,582	-
Deferred charges - pensions	753,307	-	753,307	2,437,716	202,105
Total deferred outflows of resources	753,307	-	753,307	2,574,298	414,702
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	210,950	-	210,950	307,786	274,614
Accrued salaries and benefits	302,489	-	302,489	265,713	-
Escrow deposits	2,420,228	-	2,420,228	220,187	148,703
Unearned revenue	870,263	-	870,263	817,428	-
Total current liabilities	3,803,930	-	3,803,930	1,611,114	423,317
NONCURRENT LIABILITIES					
Due within one year	742,441	-	742,441	723,506	719,813
Due in more than one year	4,714,935	-	4,714,935	9,185,109	1,704,315
Total noncurrent liabilities	5,457,376	-	5,457,376	9,908,615	2,424,128
Total liabilities	9,261,306	-	9,261,306	11,519,729	2,847,445
DEFERRED INFLOWS OF RESOURCES					
Deferred credits - OPEB	624,639	-	624,639	-	-
Deferred credits - pensions	1,723,465	-	1,723,465	562,492	-
Total deferred inflows of resources	2,348,104	-	2,348,104	562,492	-
NET POSITION					
Net investment in capital assets	14,189,344	-	14,189,344	13,465,320	16,996,346
Restricted	1,454,113	-	1,454,113	1,265,495	-
Unrestricted (deficit)	975,617	-	975,617	(256,351)	3,587,576
Total net position	\$ 16,619,074	\$ -	\$ 16,619,074	\$ 14,474,464	\$ 20,583,922

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2019 with summarized comparative totals for 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for	Operating	Capital		Primary Government			Component
	Expenses	Services	Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Totals		Unit
							2019	2018	2019
GOVERNMENTAL ACTIVITIES									
General government	\$ 1,813,732	\$ 92,423	\$ 447,874	\$ -	\$ (1,273,435)	\$ -	\$ (1,273,435)	\$ (1,712,405)	\$ -
Public safety	7,913,261	792,359	187,772	76,949	(6,856,181)	-	(6,856,181)	(6,861,591)	-
Health and human services	5,500	-	-	-	(5,500)	-	(5,500)	(5,500)	-
Public works	2,099,068	10,805	892,855	389,281	(806,127)	-	(806,127)	(535,534)	-
Culture and recreation	1,414,902	486,407	88,498	-	(839,997)	-	(839,997)	(966,222)	-
Community development	395	-	59,000	61,719	120,324	-	120,324	18,095	-
Interest expense related to noncurrent liabilities	73,589	-	104,429	-	30,840	-	30,840	16,243	-
Total governmental activities	13,320,447	1,381,994	1,780,428	527,949	(9,630,076)	-	(9,630,076)	(10,046,914)	-
BUSINESS-TYPE ACTIVITIES									
Solid waste	-	-	-	-	-	-	-	360	-
Total business-type activities	-	-	-	-	-	-	-	360	-
Total primary government	\$13,320,447	\$ 1,381,994	\$1,780,428	\$ 527,949	(9,630,076)	-	(9,630,076)	(10,046,554)	-
COMPONENT UNIT									
Sewer authority	\$ 4,469,508	\$ 3,953,099	\$ -	\$ 342,432	-	-	-	-	(173,977)
GENERAL REVENUES									
Taxes									
Real estate taxes					3,320,072	-	3,320,072	2,799,481	-
Earned income taxes					6,212,082	-	6,212,082	5,591,025	-
Real estate transfer taxes					937,025	-	937,025	708,396	-
Local services taxes					577,022	-	577,022	552,507	-
Per capita taxes					87,274	-	87,274	83,407	-
Amusement taxes					18,054	-	18,054	18,711	-
Franchise fees					453,769	-	453,769	456,817	-
Investment earnings					168,466	-	168,466	162,050	69,874
Gain on sale of capital assets					922	-	922	19,848	-
Total general revenues					11,774,686	-	11,774,686	10,392,242	69,874
CHANGE IN NET POSITION					2,144,610	-	2,144,610	345,688	(104,103)
NET POSITION									
Beginning of year					14,474,464	-	14,474,464	14,128,776	20,688,025
End of year					\$ 16,619,074	\$ -	\$16,619,074	\$14,474,464	\$ 20,583,922

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019 with summarized comparative totals for 2018

	Major Funds				Totals	
	General	Unrestricted	Highway	Nonmajor	2019	2018
	Fund	Capital	Improvement Capital Reserve	Governmental		
		Fund	Fund	Funds		
ASSETS						
Cash	\$ 4,723,857	\$ 508,458	\$ 852,212	\$ 947,613	\$ 7,032,140	\$ 5,646,064
Restricted cash	240,806	-	2,179,422	-	2,420,228	220,187
Taxes receivable	118,100	-	-	30,333	148,433	106,023
Accounts receivable	255,989	-	1,090	639	257,718	356,891
Due from other funds	465	-	-	42,054	42,519	465
Prepaid items	10,423	-	-	7,315	17,738	51,820
Total assets	\$ 5,349,640	\$ 508,458	\$ 3,032,724	\$ 1,027,954	\$ 9,918,776	\$ 6,381,450
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 184,890	\$ -	\$ 1,090	\$ 24,970	\$ 210,950	\$ 307,786
Accrued salaries and benefits	284,030	-	-	18,459	302,489	265,713
Due to other funds	-	-	-	42,519	42,519	465
Unearned revenue	18,051	-	852,212	-	870,263	817,428
Escrow deposits	240,806	-	2,179,422	-	2,420,228	220,187
Total liabilities	727,777	-	3,032,724	85,948	3,846,449	1,611,579
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	26,152	-	-	222	26,374	17,652
FUND BALANCES						
Nonspendable						
Prepaid items	10,423	-	-	-	10,423	51,820
Restricted for						
Debt service	-	-	-	60,829	60,829	35,644
Public works - roads	-	-	-	198,003	198,003	105,853
Committed for						
Capital purchases	-	508,458	-	229,881	738,339	763,208
Public safety	-	-	-	23,540	23,540	-
Culture and recreation	-	-	-	416,359	416,359	332,195
Assigned for						
Capital purchases	-	-	-	2,279	2,279	2,052
Unassigned	4,585,288	-	-	10,893	4,596,181	3,461,447
Total fund balances	4,595,711	508,458	-	941,784	6,045,953	4,752,219
Total liabilities, deferred inflows of resources and fund balances	\$ 5,349,640	\$ 508,458	\$ 3,032,724	\$ 1,027,954	\$ 9,918,776	\$ 6,381,450

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

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

December 31, 2019

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,045,953
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	17,598,920
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Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	26,374
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Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	(1,594,797)
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Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(5,457,376)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 16,619,074</u>
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LOWER PROVIDENCE TOWNSHIP

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

Year ended December 31, 2019 with summarized comparative totals for 2018

	Major Funds					
	General Fund	Unrestricted Capital Fund	Highway Improvement Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
					2019	2018
REVENUES						
Taxes	\$ 9,270,429	\$ -	\$ -	\$ 1,872,377	\$ 11,142,806	\$ 9,754,664
Licenses and permits	518,944	-	-	-	518,944	517,902
Fines and forfeits	130,873	-	-	-	130,873	123,032
Interest, rent and royalties	51,246	3,338	-	113,883	168,467	162,051
Intergovernmental revenues	663,303	-	89,946	1,090,269	1,843,518	1,837,154
Charges for services	699,539	-	-	486,406	1,185,945	1,324,962
Miscellaneous	162,171	-	57,342	172,975	392,488	222,750
Total revenues	11,496,505	3,338	147,288	3,735,910	15,383,041	13,942,515
EXPENDITURES						
Current						
General government	1,798,416	-	-	4,898	1,803,314	1,824,864
Public safety	6,826,841	-	-	807,484	7,634,325	7,614,743
Health and human services	5,500	-	-	-	5,500	5,500
Public works - sanitation	14,072	-	-	-	14,072	10,125
Public works - highways and streets	1,630,623	-	147,113	599,680	2,377,416	2,643,689
Public works - other services	16,339	-	-	19,000	35,339	29,806
Culture and recreation	-	-	-	1,380,005	1,380,005	1,586,649
Community development	395	-	-	-	395	56,630
Miscellaneous	832	-	-	-	832	392
Debt service	-	-	-	800,095	800,095	834,028
Total expenditures	10,293,018	-	147,113	3,611,162	14,051,293	14,606,426
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	1,203,487	3,338	175	124,748	1,331,748	(663,911)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	376	-	-	10,488	10,864	19,848
Refund of prior year receipts	(94,876)	-	-	(32,205)	(127,081)	(20,648)
Refund of prior year expenditures	-	-	-	78,203	78,203	41,973
Transfers in	-	-	-	359,673	359,673	1,110,173
Transfers out	-	(166,616)	-	(193,057)	(359,673)	(1,129,157)
Total other financing sources (uses)	(94,500)	(166,616)	-	223,102	(38,014)	22,189
NET CHANGE IN FUND BALANCES						
	1,108,987	(163,278)	175	347,850	1,293,734	(641,722)
FUND BALANCES						
Beginning of year	3,486,724	671,736	(175)	593,934	4,752,219	5,393,941
End of year	\$ 4,595,711	\$ 508,458	\$ -	\$ 941,784	\$ 6,045,953	\$ 4,752,219

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

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

Year ended December 31, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,293,734
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 878,891	
Net book value of disposed assets	(9,942)	
Depreciation expense	<u>(871,431)</u>	(2,482)

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

Deferred inflows of resources December 31, 2018	(17,652)	
Deferred inflows of resources December 31, 2019	<u>26,374</u>	8,722

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

Repayment of notes payable		726,506
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Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences	(92,220)	
Change in net OPEB liability and related deferred inflows and outflows	91,617	
Change in net pension liability and related deferred inflows and outflows	<u>118,733</u>	<u>118,130</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,144,610</u>
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LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

December 31, 2019 with summarized comparative totals for 2018

	<u>Solid Waste Fund</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Accounts receivable, net	\$ -	\$ -
LIABILITIES AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	-	\$ -
NET POSITION (DEFICIT)		
Unrestricted (deficit)	-	-
Total liabilities and net position (deficit)	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUND

Year ended December 31, 2019 with summarized comparative totals for 2018

	<u>Solid Waste Fund</u>	
	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Collections	\$ -	\$ 360
OPERATING EXPENSES	<u>-</u>	<u>-</u>
Operating income and change in net position (deficit) before transfers	-	360
TRANSFERS	<u>-</u>	<u>18,984</u>
CHANGE IN NET POSITION (DEFICIT)	-	19,344
NET POSITION (DEFICIT)		
Beginning of year	<u>-</u>	<u>(19,344)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended December 31, 2019 with summarized comparative totals for 2018

	Solid Waste Fund	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ -	\$ 1,159
Cash paid to vendors	<u>-</u>	<u>(1,159)</u>
Net cash provided by (used for) operating activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	-	-
CASH		
Beginning of year	<u>-</u>	<u>-</u>
Ending of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income	\$ -	\$ 360
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Decrease in		
Accounts receivable	-	799
Increase (decrease) in		
Accounts payable	<u>-</u>	<u>(1,159)</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2019 with summarized comparative totals for 2018

	Escrow Fund	Other Postemployment Benefits Trust Fund	Police Pension Fund	Non-Uniform Pension Fund	Totals	
					2019	2018
ASSETS						
Cash	\$ 971,226	\$ 57,854	\$ 155,672	\$ 62,717	\$ 1,247,469	\$ 947,656
Investments, restricted	-	1,445,704	17,453,136	5,508,711	24,407,551	20,154,878
Other receivables	86,236	-	22,996	-	109,232	165,320
Prepaid benefits	-	-	72,308	17,295	89,603	82,606
Total assets	<u>1,057,462</u>	<u>1,503,558</u>	<u>17,704,112</u>	<u>5,588,723</u>	<u>25,853,855</u>	<u>21,350,460</u>
LIABILITIES						
Deposits	4,500	-	-	-	4,500	4,500
Accounts payable	12,336	-	-	22,996	35,332	65,692
Other current liabilities	<u>1,040,626</u>	-	<u>1,302</u>	-	<u>1,041,928</u>	<u>814,120</u>
Total liabilities	<u>\$ 1,057,462</u>	<u>-</u>	<u>1,302</u>	<u>22,996</u>	<u>1,081,760</u>	<u>884,312</u>
NET POSITION						
Assets held in trust for pension and other post-employment benefits		<u>\$ 1,503,558</u>	<u>\$ 17,702,810</u>	<u>\$ 5,565,727</u>	<u>\$ 24,772,095</u>	<u>\$ 20,466,148</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2019 with summarized comparative totals for 2018

	Other Postemployment Benefits Trust Fund	Police Pension Fund	Non-Uniform Pension Fund	Totals	
				2019	2018
ADDITIONS					
Contributions					
Employer contributions	\$ 76,021	\$ 916,689	\$ 191,819	\$ 1,184,529	\$ 1,103,064
Member contributions	-	88,561	9,551	98,112	101,332
Total contributions	<u>76,021</u>	<u>1,005,250</u>	<u>201,370</u>	<u>1,282,641</u>	<u>1,204,396</u>
Investment income (loss)					
Investment income	33,669	436,418	124,245	594,332	503,779
Net increase (decrease) in fair value of investments	<u>232,350</u>	<u>2,668,215</u>	<u>861,471</u>	<u>3,762,036</u>	<u>(1,786,270)</u>
Total investment income (loss)	<u>266,019</u>	<u>3,104,633</u>	<u>985,716</u>	<u>4,356,368</u>	<u>(1,282,491)</u>
Total additions	<u>342,040</u>	<u>4,109,883</u>	<u>1,187,086</u>	<u>5,639,009</u>	<u>(78,095)</u>
DEDUCTIONS					
Benefits and insurance premiums paid	130,461	892,468	210,074	1,233,003	1,257,262
Administrative expenses	<u>8,807</u>	<u>64,866</u>	<u>26,386</u>	<u>100,059</u>	<u>103,890</u>
Total deductions	<u>139,268</u>	<u>957,334</u>	<u>236,460</u>	<u>1,333,062</u>	<u>1,361,152</u>
CHANGE IN NET POSITION	202,772	3,152,549	950,626	4,305,947	(1,439,247)
NET POSITION					
Beginning of year	<u>1,300,786</u>	<u>14,550,261</u>	<u>4,615,101</u>	<u>20,466,148</u>	<u>21,905,395</u>
End of year	<u>\$ 1,503,558</u>	<u>\$ 17,702,810</u>	<u>\$ 5,565,727</u>	<u>\$ 24,772,095</u>	<u>\$ 20,466,148</u>

See accompanying notes

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Providence Township (the "**Township**"), Montgomery County, Pennsylvania, was established in 1714 and operates as a Township of a second class under the Township code of the Commonwealth of Pennsylvania. The Township is governed by an elected five-member Board of Supervisors and provides the following services: general government; public safety - police, fire, ambulance, codes and planning and zoning; public works – sanitation and highways and streets; culture and recreation and community development.

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

Reporting Entity

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

Discretely Presented Component Unit

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

Basis of Presentation

Government-Wide Financial Statements

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

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The Unrestricted Capital Fund is used to account for contributions and transfers from other funds for the purpose of unexpected or emergency capital improvement expenditures.

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

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

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

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

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

Revenue Recognition

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

Expenditure Recognition

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

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township reports the following major proprietary fund:

The Solid Waste Fund is used to account for the collection of fees and payment of expenses related to trash collection and recycling. The Township discontinued its solid waste activities as of March 1, 2005 and closed the fund effective December 31, 2018. Currently, the solid waste activities of the Township are contracted to a third party. The Solid Waste Fund was closed out as of December 31, 2018.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Township's proprietary funds are charges for services. Operating expenses for the Township's proprietary funds include the cost of operations and maintenance and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the Township as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the Township's own programs. The Township reports the following fiduciary funds:

The Trust Funds are used to account for the activities of the Township's other post-employment benefits, police and nonuniform defined benefit pension plans which accumulate resources for other post-employment and pension benefit payments to qualified employees upon retirement.

The Escrow Fund is an agency fund that is used to account for assets held for the benefit of others with the Township having no equity or ownership in the assets.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices.

Fair Value Measurements of Assets and Liabilities

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

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

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

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

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Taxes

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

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

The Montgomery County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the elected Township Tax Collector. The tax on real estate for fiscal 2019 was 1.766 mills (\$1.776 for \$1,000 of assessed valuation), consisting of 0.905 mills for general purposes, 0.345 mills for library, 0.275 mills for debt service and 0.241 mills for parks and recreation. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for property taxes receivable.

Other taxes levied in 2019 consisted of the following:

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

Prepaid Items

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

Unearned Revenues

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

Capital Assets

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

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

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

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township and Sewer Authority. No impairment losses were recognized in the year ended December 31, 2019.

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Nonspendable

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

Restricted

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

Committed

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Assigned

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

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

Unassigned

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Minimum Fund Balance Policy

The Township will strive to maintain in its General Fund balance, a reserve of 5% to 7% of yearly expenditures (the "***operating reserve***"). The operating reserve is intended to be a reserve for unexpected events that impact the operating budget, such as failure of the state to remit revenues to the Township, unexpected mandates, unexpected loss of state shared revenues, continuance of critical Township services due to unanticipated events or to offset the unexpected loss of a significant funding source for the remainder of the fiscal year.

If, at any time, the General Fund reaches a zero balance, this policy will authorize use of the Unrestricted Capital Fund balance. If, at any time, should the General Fund balance fall below 5% of yearly expenditures, the Board of Supervisors shall be notified.

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

Any use of the operating reserve funds in the General Fund, must be approved by the Board of Supervisors and include a repayment plan that strives to restore the Operating Reserve to the 5% to 7% of the yearly expenditures level within two fiscal years following the fiscal year in which the event occurred.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Use of Estimates

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

New Accounting Pronouncements

GASB Statement No. 83 "*Certain Asset Retirement Obligations*" will be effective for the Township for the year ended December 31, 2020. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations ("**AROs**"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84 "*Fiduciary Activities*" will be effective for the Township for the year ended December 31, 2020. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 88 "*Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*" will be effective for the Township for the year ended December 31, 2020. GASB Statement No. 88 improves the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*" will be effective for the Township for the year ended December 31, 2020. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

GASB Statement No. 87, "*Leases*" will be effective for the Township for the year ended December 31, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period", will be effective for the Township for the year ended December 31, 2021. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

(3) DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

At December 31, 2019, the carrying amount of the Township's deposits was \$10,699,837 and the bank balance was \$10,728,810. Of the bank balance, \$718,390 was covered by federal depository insurance and \$9,832,800 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Township are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2019, PLGIT was rated AAA by a nationally recognized statistical rating agency.

Investments

As of December 31, 2019, the Township's pension and other post-employment benefits trust funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Exchange-traded and mutual funds	<u>\$24,407,551</u>

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

Custodial Credit Risk - Investments

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township places no limit on the amount that may be invested with any one issuer.

Discretely Presented Component Unit

Custodial Credit Risk - Deposits

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

At June 30, 2019, the carrying amount of the Sewer Authority's deposits was \$1,523,587 and the bank balance was \$1,542,185. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,292,185 was collateralized by the Sewer Authority's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

Investments

At June 30, 2019, the Sewer Authority had the following investments:

Certificates of deposit –

Collateral held by pledging bank's agent in the Sewer Authority's name \$750,002

Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Sewer Authority had no investments subject to custodial credit risk as of June 30, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Sewer Authority had no investments subject to interest rate risk as of June 30, 2019.

Credit Risk

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

(4) CAPITAL ASSETS

The Township's capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 10,665,637	\$ -	\$ -	\$10,665,637
Capital assets being depreciated				
Land improvements	1,120,019	-	-	1,120,019
Infrastructure	8,915,848	716,204	-	9,632,052
Buildings	4,670,609	14,207	-	4,684,816
Furniture, machinery and equipment	4,011,756	148,480	110,716	4,049,520
Total capital assets being depreciated	18,718,232	878,891	110,716	19,486,407
Less accumulated depreciation for				
Land improvements	(770,404)	(34,992)	-	805,396
Infrastructure	(6,114,508)	(439,884)	-	6,554,392
Buildings	(2,091,465)	(91,243)	-	2,182,708
Furniture, machinery and equipment	(2,806,090)	(305,312)	(100,774)	3,010,628
Total accumulated depreciation	(11,782,467)	(871,431)	(100,774)	12,553,124
Total capital assets being depreciated, net	6,935,765	7,460	9,942	6,933,283
Governmental activities, net	\$ 17,601,402	\$ 7,460	\$ 9,942	\$17,598,920

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Governmental activities

General government	\$113,535
Public safety	504,531
Public works	164,776
Culture and recreation	<u>88,589</u>

Total depreciation expense - governmental activities \$871,431

Discretely Presented Component Unit

The Sewer Authority's capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets being depreciated				
Sewer system	\$ 34,053,102	\$ 2,724,692	\$ -	\$ 36,777,794
Land and garage building	287,504	-	-	287,504
Furniture, machinery and equipment	<u>427,742</u>	<u>-</u>	<u>-</u>	<u>427,742</u>
Total capital assets being depreciated	34,768,348	2,724,692	-	37,493,040
Less: accumulated depreciation	<u>(17,550,297)</u>	<u>(780,397)</u>	<u>-</u>	<u>(18,330,694)</u>
Total capital assets being depreciated, net	<u>\$ 17,218,051</u>	<u>\$ 1,944,295</u>	<u>\$ -</u>	<u>\$ 19,162,346</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2019 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 465	Nonmajor Governmental Funds	\$ 465
Nonmajor Governmental Funds	<u>42,054</u>	Nonmajor Governmental Funds	<u>42,054</u>
	<u>\$ 42,519</u>		<u>\$ 42,519</u>

Interfund balances between funds represent temporary loans recorded to final allocations of costs. The balances are generally repaid shortly after year-end.

A summary of interfund transfers for the year ended December 31, 2019 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$166,616	Unrestricted Capital Fund	\$166,616
Nonmajor Governmental Funds	<u>193,057</u>	Nonmajor Governmental Funds	<u>193,057</u>
	<u>\$359,673</u>		<u>\$359,673</u>

Transfers to the Nonmajor Governmental Funds from the Unrestricted Capital Fund represent monies to subsidize costs associated with the acquisition of capital assets. Transfers between Nonmajor Governmental Funds were made from the Highway Aid Fund to the Liquid Fuels Funded Loans Fund to cover the principal and interest payments on the 2014, 2015 and 2016 general obligation notes.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(6) NONCURRENT LIABILITIES

The following summarizes the changes in the Township's noncurrent liabilities for the year ended December 31, 2019:

	<u>Balance January 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2019</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Notes payable	\$4,136,082	\$ -	\$ 726,506	\$3,409,576	\$742,441
Other noncurrent liabilities					
Compensated absences	307,651	92,220	-	399,871	-
Net OPEB liability (asset)	815,731	179,671	1,032,509	(37,107)	-
Net pension liability	4,649,151	1,139,059	4,103,174	1,685,036	-
Total other noncurrent liabilities	<u>5,772,533</u>	<u>1,410,950</u>	<u>5,135,683</u>	<u>2,047,800</u>	<u>-</u>
Total noncurrent liabilities governmental activities	<u>\$9,908,615</u>	<u>\$1,410,950</u>	<u>\$5,862,189</u>	<u>\$5,457,376</u>	<u>\$742,441</u>

Discretely Presented Component Unit

The following summarizes the changes in the Sewer Authority's noncurrent liabilities for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
Guaranteed sewer revenue notes					
Sewer revenue notes	\$2,868,000	\$ -	\$702,000	\$2,166,000	\$712,000
Bond premiums	29,947	-	7,813	22,134	7,813
Total guaranteed sewer revenue notes	<u>2,897,947</u>	<u>-</u>	<u>709,813</u>	<u>2,188,134</u>	<u>719,813</u>
Other noncurrent liabilities					
Compensated absences	17,736	-	11,301	6,435	-
Net pension liability (asset)	(62,223)	466,993	175,211	229,559	-
Total other noncurrent liabilities	<u>(44,487)</u>	<u>466,993</u>	<u>186,512</u>	<u>235,994</u>	<u>-</u>
Total noncurrent liabilities discretely presented component unit	<u>\$2,853,460</u>	<u>\$466,993</u>	<u>\$896,325</u>	<u>\$2,424,128</u>	<u>\$719,813</u>

(7) GENERAL OBLIGATION DEBT

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

General obligation debt outstanding as of December 31, 2019 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Original Final Maturity</u>	<u>Principal Outstanding</u>
General obligation notes				
Series of 2006	1.31% - 4.55%	\$2,773,000	04/25/2022	\$ 544,000
Series of 2008	1.49% - 2.311%	4,018,000	06/25/2024	1,490,000
Series B of 2010	2.69%	150,000	03/25/2020	39,000
Series of 2013	1.42%	325,000	03/25/2023	70,000
Series A of 2013	1.62%	520,000	03/25/2023	218,000
Series of 2014	2.117%	1,012,000	07/25/2024	532,000
Series of 2015	1.698%	140,000	04/25/2025	87,000
PIB Loan 2016	1.625%	599,350	08/01/2026	429,576
Total general obligation notes				<u>\$3,409,576</u>

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

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2020	\$ 742,441	\$ 76,077	\$ 818,518
2021	721,390	59,186	780,576
2022	739,355	42,886	782,241
2023	570,336	26,176	596,512
2024	493,333	14,256	507,589
2025-2026	<u>142,721</u>	<u>3,376</u>	<u>146,097</u>
	<u>\$3,409,576</u>	<u>\$221,957</u>	<u>\$3,631,533</u>

Interest Rate Management Plan

The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the Township, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to the participants, DVRFA has entered into an interest rate swap agreement with a financial institution. In the event that the swap agreement between DVRFA and the financial institution is terminated, the value of the swap to DVRFA at the time of termination is a liability and insufficient funds are available to pay the liability, the participants are required to pay their proportionate share of the liability. The values of the swap agreements relative to the DVRFA notes payable at December 31, 2019 was an asset of \$414,002, in aggregate. The values of the swap agreements relative to these Notes are not reflected on the Township's statement of net position.

Discretely Presented Component Unit - Guaranteed Sewer Revenue Notes

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

General obligation debt outstanding as of June 30, 2019 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Original Final Maturity</u>	<u>Principal Outstanding</u>
Guaranteed sewer revenue notes				
Series of 2016	1.527%	\$4,245,000	04/25/2022	<u>\$2,166,000</u>

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2020	\$ 712,000	\$33,075	\$ 745,075
2021	722,000	22,203	744,203
2022	<u>732,000</u>	<u>11,178</u>	<u>743,178</u>
	<u>\$2,166,000</u>	<u>\$66,456</u>	<u>\$2,232,456</u>

(8) POST EMPLOYMENT RETIREMENT PLAN

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

Plan Membership

Membership in the OPEB Plan consisted of the following at December 31, 2019:

Active employees	30
Retirees and beneficiaries currently receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>36</u>

Funding Policy

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

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Other Post-Employment Benefits Trust

Basis of Accounting

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

Method Used to Value Investments

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

Annual OPEB Cost

The annual OPEB cost was determined as part of the December 31, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.25% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 5.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 29 years.

Discount Rate

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

Rate of Return

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

The annual money-weighted rate of return on OPEB Plan investments, net of investment expenses, was 20.55%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Domestic stocks	45.50%	5.57%	2.53%
International stocks	24.50%	6.42%	1.57%
Bonds	27.00%	1.35%	0.36%
Cash	3.00%	-0.31%	-0.01%
Total Portfolio	100.00%		4.45%
Inflation			2.25%
Long-term expected rate of return			6.70%

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Net OPEB Liability (Asset)

The Township's net OPEB liability (asset) has been measured as of December 31, 2019. The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, and by rolling forward the liabilities from the January 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability (asset) is \$(37,107) measured as the difference between the total OPEB liability of \$1,466,451 and the fiduciary net position of \$1,503,558.

The Township's change in total OPEB liability, plan fiduciary net position, and net OPEB liability for the year ended December 31, 2019 were as follows:

	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability (A) – (B)
Balances as of December 31, 2018	<u>\$2,116,517</u>	<u>\$1,300,786</u>	<u>\$ 815,731</u>
Changes for the year:			
Service cost	80,765	-	80,765
Interest on total OPEB liability	90,099	-	90,099
Changes in benefit terms	(62,426)	-	(62,426)
Differences between expected and actual experience	(628,043)	-	(628,043)
Employer contributions	-	76,021	(76,021)
Net investment income	-	266,019	(266,019)
Benefit payments	(130,461)	(130,461)	-
Administrative expense	-	(8,807)	8,807
Net changes	<u>(650,066)</u>	<u>202,772</u>	<u>(852,838)</u>
Balances as of December 31, 2019	<u>\$1,466,451</u>	<u>\$1,503,558</u>	<u>\$ (37,107)</u>

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

The following presents the net OPEB liability (asset) for December 31, 2019, calculated using current healthcare cost trends as well as what the net OPEB liability (asset) would be if healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	<u>\$(223,619)</u>	<u>\$(37,107)</u>	<u>\$184,205</u>

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

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

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Net OPEB liability (asset)	<u>\$86,975</u>	<u>\$(37,107)</u>	<u>\$(153,864)</u>

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Township recognized negative OPEB expense of \$15,596. At December 31, 2019, the Township had deferred inflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$577,719
Net difference between projected and actual earnings on OPEB plan investments	<u>46,920</u>
	<u>\$624,639</u>

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

Year ended December 31:

2020	\$ (53,518)
2021	(53,518)
2022	(53,516)
2023	(87,664)
2024	(50,324)
Thereafter	<u>(326,099)</u>
	<u>\$(624,639)</u>

Actuarial Methods and Significant Assumptions

- Investment return – 6.25% (including inflation)
- Discount rate – 6.25%
- Inflation – 2.25%
- Salary increases – 5.00% per year
- Mortality rates – RP 2000 mortality tables for males and females

(9) EMPLOYEE RETIREMENT PLANS

Police Pension Fund

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

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2019:

Active employees	26
Retirees and beneficiaries currently receiving benefits (including DROP members)	38
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>65</u>

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Benefit Provisions

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

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

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

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

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 3.00% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the December 31, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 5.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 10 years.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Rate of Return

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

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 21.43%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Domestic stocks	45.50%	5.57%	2.53%
International stocks	24.50%	6.42%	1.57%
Bonds	27.00%	1.35%	0.36%
Cash	3.00%	-0.31%	-0.01%
Total Portfolio	<u>100.00%</u>		4.45%
Inflation			<u>2.25%</u>
Long-term expected rate of return			<u>6.70%</u>

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2019. The total pension liability was determined by an actuarial valuation as of January 1, 2019, and by rolling forward the liabilities from the January 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$2,271,629 measured as the difference between the total pension liability of \$19,974,439 and the fiduciary net position of \$17,702,810.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2019 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2018	<u>\$19,079,199</u>	<u>\$14,550,261</u>	<u>\$ 4,528,938</u>
Changes for the year:			
Service cost	448,022	-	448,022
Interest on total pension liability	1,335,805	-	1,335,805
Employer contributions	-	916,689	(916,689)
Member contributions	-	88,561	(88,561)
Net investment income	-	3,104,633	(3,104,633)
Benefit payments	(888,588)	(888,588)	-
Insurance premiums	-	(3,881)	3,881
Administrative expense	-	(64,866)	64,866
Net changes	<u>895,239</u>	<u>3,152,548</u>	<u>(2,257,309)</u>
Balances as of December 31, 2019	<u>\$19,974,439</u>	<u>\$17,702,810</u>	<u>\$ 2,271,629</u>

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability	<u>\$4,584,281</u>	<u>\$2,271,629</u>	<u>\$334,678</u>

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

For the year ended December 31, 2019, the Township recognized negative pension expense of \$865,052. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 419,131
Changes in assumptions	753,307	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>989,013</u>
	<u>\$753,307</u>	<u>\$1,408,144</u>

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

Year ended December 31:

2020	\$ (118,966)
2021	(114,488)
2022	(608)
2023	<u>(420,775)</u>
	<u>\$ (654,837)</u>

Deferred Retirement Option Program

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

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 2.25%
- Salary increases – 5.00% per year
- Mortality rates – RP 2000 mortality tables for males and females

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Nonuniform Pension Fund

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

Plan Membership

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2019:

Active employees	8
Retirees and beneficiaries currently receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	<u>10</u>
Total	<u>41</u>

Benefit Provisions

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

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

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

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the December 31, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 4.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 2 years.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The Nonuniform Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Rate of Return

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

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 21.26%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Domestic stocks	45.50%	5.57%	2.53%
International stocks	24.50%	6.42%	1.57%
Bonds	27.00%	1.35%	0.36%
Cash	3.00%	-0.31%	-0.01%
Total Portfolio	<u>100.00%</u>		4.45%
Inflation			<u>2.25%</u>
Long-term expected rate of return			<u>6.70%</u>

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2019. The total pension liability was determined by an actuarial valuation as of January 1, 2019, and by rolling forward the liabilities from the January 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability (asset) is \$(586,593) measured as the difference between the total pension liability of \$4,979,134 and the fiduciary net position of \$5,565,727.

The Township's change in total pension liability (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2019 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of December 31, 2018	<u>\$4,735,314</u>	<u>\$4,615,101</u>	<u>\$ 120,213</u>
Changes for the year:			
Service cost	117,532	-	117,532
Interest on total pension liability	332,482	-	332,482
Employer contributions	-	191,819	(191,819)
Member contributions	-	9,551	(9,551)
Net investment income	-	985,716	(985,716)
Benefit payments	(206,194)	(206,194)	-
Insurance premiums	-	(3,880)	3,880
Administrative expense	-	(26,386)	26,386
Net changes	<u>243,820</u>	<u>950,626</u>	<u>(706,806)</u>
Balances as of December 31, 2019	<u>\$4,979,134</u>	<u>\$5,565,727</u>	<u>\$(586,593)</u>

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	<u><u>\$ (132,922)</u></u>	<u><u>\$ (586,593)</u></u>	<u><u>\$ (981,179)</u></u>

Pension Expense and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2019, the Township recognized pension expense of \$123,899. At December 31, 2019, the Township reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	<u><u>\$315,321</u></u>

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

Year ended December 31:

2020	\$ (90,387)
2021	(87,523)
2022	(4,632)
2023	<u>(132,779)</u>
	<u><u>\$ (315,321)</u></u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 2.25%
- Salary increases – 4.00% per year
- Mortality rates – RP 2000 mortality tables for males and females

Discretely Presented Component Unit – Retirement Plan

The Lower Providence Township Sewer Authority pension plan (the "**Sewer Authority Pension Plan**") is a single-employer, defined benefit pension plan controlled by the provisions of Resolution No. 2003-01 adopted pursuant to Act 15 of 1974. The Sewer Authority Pension Plan participates in the Pennsylvania Municipal Retirement System ("**PMRS**"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165; or by accessing its website at <http://www.pmr.state.pa.us/publications/index.html>.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Plan Membership

Membership in the Sewer Authority Pension Plan consisted of the following at January 1, 2019:

Active plan members	5
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>12</u>

Benefit Provisions

The Sewer Authority Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 60. Early retirement is available to members with 15 years of credited service with reduced benefits. The death benefit is one of the following: If eligible to retire at the time of death, beneficiary receives the present value of accrued benefits. At retirement, member may select a survivor benefit. Cost-of-living allowances are provided at the discretion of the Sewer Authority Pension Plan.

Basis of Accounting

The Sewer Authority Pension Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions to the Sewer Authority Pension Plan are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the Sewer Authority Pension Plan.

Method Used to Value Investments

Investments are reported at fair value. The Sewer Authority Pension Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's comprehensive annual financial report.

Contributions

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

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

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.25% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and age-related scale for merit/seniority for salary projections. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Discount Rate

The discount rate used to measure the total pension liability is 5.25%. The projection of cash flows used to determine the discount rate assumes that the employer will continue the historical and legally required practice of contributing to the Sewer Authority Pension Plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. Therefore, the long-term expected rate of return on Sewer Authority Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

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

The Sewer Authority Pension Plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PMRS Board of Directors. Sewer Authority Pension Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of Sewer Authority Pension Plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	7.3%	4.6%
Domestic Equities (Small Capitalized Firms)	15%	10.0%	7.3%
International Equities (International Developed Markets)	15%	6.2%	3.5%
International Equities (Emerging Markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed Income	<u>15%</u>	<u>3.3%</u>	<u>1.1%</u>
Total Portfolio	<u>100%</u>	<u>8.6%</u>	<u>4.8%</u>

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2018.

Net Pension Liability (Asset)

The Sewer Authority's net pension liability (asset) has been measured as of December 31, 2018. The total pension liability was determined by an actuarial valuation as of January 1, 2019, calculated based on the discount rate and actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability (asset) is \$229,559 measured as the difference between the total pension liability of \$2,176,442 and the fiduciary net position of \$1,946,883.

The Sewer Authority's change in total pension liability, plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2018 were as follows:

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	Plan Fiduciary Total Pension Liability (A)	Net Position Position (B)	Net Pension Liability (Asset) (A) – (B)
Balances as of December 31, 2017	<u>\$1,968,627</u>	<u>\$2,030,850</u>	<u>\$ (62,223)</u>
Changes for the year:			
Service cost	45,528	-	45,528
Interest on total pension liability	103,004	-	103,004
Differences between expected and actual experience	164,972	-	164,972
Employer contributions	-	73,358	(73,358)
Contributions – PMRS assessment	-	240	(240)
PMRS investment income	-	101,613	(101,613)
Market value investment income	-	(148,734)	148,734
Benefit payments	(105,689)	(105,689)	-
PMRS administrative expense	-	(220)	220
Additional administrative expense	-	(4,535)	4,535
Net changes	<u>207,815</u>	<u>(83,967)</u>	<u>291,782</u>
Balances as of December 31, 2018	<u>\$2,176,442</u>	<u>\$1,946,883</u>	<u>\$ 229,559</u>

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

The following presents the net pension liability of the township calculated using the discount rate 5.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net Pension Liability (Asset)	<u>\$462,671</u>	<u>\$229,559</u>	<u>\$27,196</u>

Pension Expense and Deferred Outflows of Related to Pension

For the year ended June 30, 2019, the Sewer Authority recognized pension expense of \$116,154. At June 30, 2019, the Sewer Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$130,351
Changes in assumptions	21,076
Net difference between projected and actual earnings on pension plan investments	1,045
Contributions subsequent to the measurement date	<u>49,633</u>
	<u>\$202,105</u>

An amount of \$49,633 reported as deferred outflows of resources related to pensions resulting from the Sewer Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Year ended December 31:

2020	\$ 67,014
2021	22,814
2022	32,898
2023	<u>29,746</u>
	<u>\$152,472</u>

Actuarial Methods and Significant Assumptions

- Investment return – 5.25%
- Discount rate – 5.25%
- Inflation – 3.00%
- Salary increases – age related scale with merit and inflation component
- Cost of living adjustments – 3.00% for those eligible for a COLA
- Pre-retirement mortality – Males – RP 2000 with 1 year set back; Females – RP 2000 with 5 year set back.
- Post-retirement mortality – Sex distinct – RP 2000 combined healthy mortality.

(10) NONUNIFORM DEFINED CONTRIBUTION PLAN

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

Eligibility

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

Contributions

The Township contributes 8.00% of compensation and employees are not required to contribute to the Non-Uniform Pension Plan. The Township's contributions totaled \$138,720 for 2019.

Normal Retirement

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

Death Benefits

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

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Vesting

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

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

Forfeiture

When a member terminates before becoming 100% vested, the portion of his account to which he is not entitled is used to reduce future Township contributions to the Defined Contribution Plan. There were no forfeitures for 2019.

(11) DEFERRED COMPENSATION PLAN

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

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

Discretely Presented Component Unit

The Sewer Authority has a service agreement with the Lower Perkiomen Valley Regional Sewer Authority ("LPVRS") for the treatment of sewage collected by the Sewer Authority, whereby the Sewer Authority pays a fee to LPVRS each month. The Sewer Authority paid fees which totaled \$2,117,272 for the year ended June 30, 2019.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(13) RISK MANAGEMENT

Health Insurance

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

Property and Liability

The Township, with other governmental entities from Pennsylvania and Delaware, participate in a property and liability trust, which is a public entity risk pool currently operating as a common risk management and insurance program. The Township and the other participating members pay an annual premium to the property and liability trust for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the property and liability trust's insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the property and liability trust, that the property and liability trust will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the property and liability trust against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance. As of December 31, 2019, the Township is not aware of any additional assessments relating to the property and liability trust.

Workers' Compensation

The Township and other Pennsylvania municipalities participate in a workers' compensation trust, which is a cooperative voluntary arrangement. The Township and the other participating members pay an annual premium to the workers' compensation trust for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the workers' compensation trust that the workers' compensation trust will utilize funds contributed by the participating members, which shall be held in trust, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of December 31, 2019, the Township is not aware of any additional assessments relating to the workers' compensation trust.

Other Risks

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

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2020, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in the financial statements.

LOWER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Montgomery County, Pennsylvania for what may be an extended period of time. Future potential impacts may include disruption of Township services and impairment of the ability to generate revenues. The future effects of these issues are unknown.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER PROVIDENCE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Taxes			
Real estate taxes	\$ 1,464,071	\$ 1,438,972	\$ (25,099)
Per capita taxes	69,300	87,274	17,974
Real estate transfer taxes	600,000	937,025	337,025
Earned income taxes	5,500,000	6,212,082	712,082
Local services taxes	550,000	577,022	27,022
Amusement taxes	18,500	18,054	(446)
Total taxes	8,201,871	9,270,429	1,068,558
Licenses and permits	514,100	518,944	4,844
Fines and forfeits	120,000	130,873	10,873
Interest, rents and royalties	36,000	51,246	15,246
Intergovernmental revenues	412,548	663,303	250,755
Charges for services	643,150	699,539	56,389
Miscellaneous	58,870	162,171	103,301
Total revenues	9,986,539	11,496,505	1,509,966
EXPENDITURES			
Current			
General government	1,754,530	1,798,416	(43,886)
Public safety	6,771,639	6,826,841	(55,202)
Health and human services	5,500	5,500	-
Public works			
Sanitation	13,000	14,072	(1,072)
Highways and streets	1,543,985	1,630,623	(86,638)
Other	25,000	16,339	8,661
Community development	5,000	395	4,605
Miscellaneous	10,050	832	9,218
Total expenditures	10,128,704	10,293,018	(164,314)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(142,165)	1,203,487	1,345,652
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	376	376
Refund of prior year receipts	-	(94,876)	(94,876)
Total other financing sources (uses)	-	(94,500)	(94,500)
NET CHANGE IN FUND BALANCE	\$ (142,165)	1,108,987	\$ 1,251,152
FUND BALANCE			
Beginning of year		3,486,724	
End of year		\$ 4,595,711	

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Year ended December 31,

	2019		2018	
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
TOTAL PENSION LIABILITY				
Service cost	\$ 448,022	\$ 117,532	\$ 455,230	\$ 97,549
Interest on total pension liability	1,335,805	332,482	1,323,414	328,976
Differences between expected and actual experience	-	-	(651,980)	(191,572)
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(888,588)	(206,194)	(996,303)	(203,493)
Net change in total pension liability	895,239	243,820	130,361	31,460
Total pension liability, beginning	19,079,199	4,735,314	18,948,838	4,703,854
Total pension liability, ending	<u>\$ 19,974,438</u>	<u>\$ 4,979,134</u>	<u>\$ 19,079,199</u>	<u>\$ 4,735,314</u>
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 916,689	\$ 191,819	\$ 948,849	\$ 154,215
Employee contributions	88,561	9,551	91,266	10,066
Net investment income	3,104,633	985,716	(905,696)	(294,785)
Benefit payments	(888,588)	(206,194)	(996,303)	(203,493)
Insurance premiums	(3,880)	(3,880)	-	-
Administrative expense	(64,866)	(26,386)	(62,751)	(25,251)
Net change in plan fiduciary net position	3,152,549	950,626	(924,635)	(359,248)
Fiduciary net position, beginning	14,550,261	4,615,101	15,474,896	4,974,349
Fiduciary net position, ending	<u>\$ 17,702,810</u>	<u>\$ 5,565,727</u>	<u>\$ 14,550,261</u>	<u>\$ 4,615,101</u>
Net pension liability (asset), ending	<u>\$ 2,271,628</u>	<u>\$ (586,593)</u>	<u>\$ 4,528,938</u>	<u>\$ 120,213</u>
Fiduciary net position as a % of total pension liability	88.63%	111.78%	76.26%	97.46%
Internal money-weighted rate of return	21.43%	21.26%	-6.34%	-6.35%
Covered payroll	2,953,470	689,004	2,872,578	675,041
Net pension liability as a % of covered payroll	76.91%	-85.14%	157.66%	17.81%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

2017		2016		2015		2014	
Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
\$ 442,858	\$ 110,712	\$ 289,045	\$ 105,301	\$ 291,983	\$ 119,423	\$ 294,320	\$ 104,672
1,264,445	314,320	1,261,601	357,265	1,218,681	335,619	1,151,119	311,063
-	-	(81,360)	(165,498)	105,106	15,270	-	-
1,660,903	(82,881)	-	-	-	-	-	-
(758,214)	(201,506)	(1,222,819)	(188,746)	(719,618)	(151,934)	(687,763)	(125,677)
2,609,992	140,645	246,467	108,322	896,152	318,378	757,676	290,058
16,338,846	4,563,209	16,092,379	4,454,887	15,196,227	4,136,509	14,438,551	3,846,451
<u>\$ 18,948,838</u>	<u>\$ 4,703,854</u>	<u>\$ 16,338,846</u>	<u>\$ 4,563,209</u>	<u>\$ 16,092,379</u>	<u>\$ 4,454,887</u>	<u>\$ 15,196,227</u>	<u>\$ 4,136,509</u>
\$ 757,061	\$ 257,187	\$ 733,609	\$ 255,150	\$ 728,043	\$ 287,400	\$ 717,943	\$ 281,382
92,678	6,328	61,204	4,677	54,411	1,588	50,767	1,503
2,205,632	711,855	1,014,756	325,072	(72,907)	(24,990)	569,398	199,009
(758,214)	(201,506)	(1,222,819)	(188,746)	(719,618)	(151,934)	(687,763)	(125,677)
(3,881)	(3,881)	-	-	555	555	(1,800)	(1,800)
(63,976)	(29,765)	(56,370)	(22,002)	(57,300)	(23,709)	(99,932)	(30,469)
2,229,300	740,218	530,380	374,151	(66,816)	88,910	548,613	323,948
13,245,596	4,234,131	12,715,216	3,859,980	12,782,032	3,771,070	12,233,419	3,447,122
<u>\$ 15,474,896</u>	<u>\$ 4,974,349</u>	<u>\$ 13,245,596</u>	<u>\$ 4,234,131</u>	<u>\$ 12,715,216</u>	<u>\$ 3,859,980</u>	<u>\$ 12,782,032</u>	<u>\$ 3,771,070</u>
<u>\$ 3,473,942</u>	<u>\$ (270,495)</u>	<u>\$ 3,093,250</u>	<u>\$ 329,078</u>	<u>\$ 3,377,163</u>	<u>\$ 594,907</u>	<u>\$ 2,414,195</u>	<u>\$ 365,439</u>
81.67%	105.75%	81.07%	92.79%	79.01%	86.65%	84.11%	91.17%
8.36%	16.73%	-0.58%	8.56%	4.79%	-0.67%	4.79%	5.89%
3,051,911	638,823	3,060,177	637,404	2,706,118	627,924	2,424,709	608,470
113.83%	-42.34%	101.08%	51.63%	124.80%	94.74%	99.57%	60.06%

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Year ended December 31,

Police Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 373,241	\$ 373,241	\$ -	\$ 2,488,506	15.00%
2011	471,151	471,151	-	2,362,214	19.95%
2012	495,887	495,887	-	2,304,896	21.51%
2013	556,816	556,816	-	2,445,213	22.77%
2014	717,943	717,943	-	2,424,709	29.61%
2015	732,683	732,683	-	2,706,118	27.08%
2016	733,609	733,609	-	3,060,177	23.97%
2017	757,061	757,061	-	3,051,911	24.81%
2018	948,849	948,849	-	2,872,578	33.03%
2019	916,689	916,689	-	2,953,470	31.04%

Nonuniform Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 191,797	\$ 191,797	\$ -	\$ 752,952	25.47%
2011	209,541	209,541	-	620,564	33.77%
2012	189,085	189,085	-	650,698	29.06%
2013	309,918	309,918	-	584,933	52.98%
2014	281,382	281,382	-	608,470	46.24%
2015	287,400	287,400	-	627,924	45.77%
2016	255,150	255,150	-	637,404	40.03%
2017	257,187	257,187	-	638,823	40.26%
2018	154,215	154,215	-	675,041	22.85%
2019	191,819	191,819	-	689,004	27.84%

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Year ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 80,765	\$ 104,989	\$ 105,879
Interest on total OPEB liability	90,099	129,449	126,739
Changes in benefit terms	(62,426)	-	-
Differences between expected and actual experience	(628,043)	-	-
Benefit payments	<u>(130,461)</u>	<u>(168,215)</u>	<u>(208,522)</u>
Net change in total OPEB liability	(650,066)	66,223	24,096
Total OPEB liability, beginning	<u>2,116,517</u>	<u>2,050,294</u>	<u>2,026,198</u>
Total OPEB liability, ending	<u>\$ 1,466,451</u>	<u>\$ 2,116,517</u>	<u>\$ 2,050,294</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	\$ 76,021	\$ 110,750	\$ 150,304
Net investment income	266,019	(82,010)	205,401
Benefit payments	(130,461)	(168,215)	(208,522)
Administrative expense	<u>(8,807)</u>	<u>(15,888)</u>	<u>(1,275)</u>
Net change in plan fiduciary net position	202,772	(155,363)	145,908
Fiduciary net position, beginning	<u>1,300,786</u>	<u>1,456,149</u>	<u>1,310,241</u>
Fiduciary net position, ending	<u>\$ 1,503,558</u>	<u>\$ 1,300,786</u>	<u>\$ 1,456,149</u>
Net OPEB liability (asset), ending	<u>\$ (37,107)</u>	<u>\$ 815,731</u>	<u>\$ 594,145</u>
Fiduciary net position as a % of total pension liability	102.53%	61.46%	71.02%
Internal money-weighted rate of return	20.55%	-6.11%	16.08%
Covered payroll	3,294,187	3,338,290	3,343,406
Net OPEB liability as a % of covered payroll	-1.13%	24.44%	17.77%

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

LOWER PROVIDENCE TOWNSHIP

SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS

Year ended December 31,

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2010	\$ 319,516	\$ 160,377	\$ 159,139	\$ 2,488,506	6.44%
2011	317,171	87,470	229,701	2,578,125	3.39%
2012	317,171	53,653	263,518	2,304,896	2.33%
2013	317,171	110,361	206,810	2,445,213	4.51%
2014	420,294	52,281	368,013	2,773,360	1.89%
2015	420,294	57,281	363,013	2,706,118	2.12%
2016	420,294	134,340	285,954	3,060,177	4.39%
2017	229,400	150,304	79,096	3,343,406	4.50%
2018	229,400	110,750	118,650	3,338,290	3.32%
2019	127,516	76,021	51,495	3,294,187	2.31%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

LOWER PROVIDENCE TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

December 31, 2019

	Special Revenue Funds					
	Library Fund	Parks and Recreation Operating Fund	Highway Aid Fund	Emergency Services Fund	Tree Fund	Debt Service Fund
ASSETS						
Cash	\$ -	\$ 32,994	\$ 167,953	\$ 15,468	\$ 105,515	\$ 53,036
Due from other funds	-	-	42,054	-	-	-
Taxes receivable	8,948	6,251	-	7,975	-	7,159
Accounts receivable	-	-	-	-	-	639
Prepaid expenditures	-	-	-	7,315	-	-
Total assets	<u>\$ 8,948</u>	<u>\$ 39,245</u>	<u>\$ 210,007</u>	<u>\$ 30,758</u>	<u>\$ 105,515</u>	<u>\$ 60,834</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 6	\$ 6,005	\$ 12,004	\$ 6,770	\$ -	\$ 5
Accrued salaries and benefits	-	18,011	-	448	-	-
Due to other funds	-	465	-	-	-	-
Total liabilities	<u>6</u>	<u>24,481</u>	<u>12,004</u>	<u>7,218</u>	<u>-</u>	<u>5</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	-	-	-	-	-	-
FUND BALANCES						
Restricted for						
Debt service	-	-	-	-	-	60,829
Public works - roads	-	-	198,003	-	-	-
Committed for						
Capital purchases	-	-	-	-	-	-
Public safety	-	-	-	23,540	-	-
Culture and recreation	8,942	-	-	-	105,515	-
Assigned for						
Capital purchases	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Unassigned	-	14,764	-	-	-	-
Total fund balances	<u>8,942</u>	<u>14,764</u>	<u>198,003</u>	<u>23,540</u>	<u>105,515</u>	<u>60,829</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,948</u>	<u>\$ 39,245</u>	<u>\$ 210,007</u>	<u>\$ 30,758</u>	<u>\$ 105,515</u>	<u>\$ 60,834</u>

Capital Projects Funds						
Liquid Fuels Funded Loans Fund	Parks and Recreation Capital Reserve Fund	West End Capital Improvement Fund	Sidewalk Fund	Stormwater Fund	Capital Projects Fund	Total
\$ 2,279	\$ 302,124	\$ 151,208	\$ 61,098	\$ 17,575	\$ 38,363	\$ 947,613
-	-	-	-	-	-	42,054
-	-	-	-	-	-	30,333
-	-	-	-	-	-	639
-	-	-	-	-	-	7,315
<u>\$ 2,279</u>	<u>\$ 302,124</u>	<u>\$ 151,208</u>	<u>\$ 61,098</u>	<u>\$ 17,575</u>	<u>\$ 38,363</u>	<u>\$ 1,027,954</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180	\$ 24,970
-	-	-	-	-	-	18,459
-	-	-	-	-	42,054	42,519
-	-	-	-	-	42,234	85,948
-	222	-	-	-	-	222
-	-	-	-	-	-	60,829
-	-	-	-	-	-	198,003
-	-	151,208	61,098	17,575	-	229,881
-	-	-	-	-	-	23,540
-	301,902	-	-	-	-	416,359
2,279	-	-	-	-	-	2,279
-	-	-	-	-	-	-
-	-	-	-	-	(3,871)	10,893
<u>2,279</u>	<u>301,902</u>	<u>151,208</u>	<u>61,098</u>	<u>17,575</u>	<u>(3,871)</u>	<u>941,784</u>
<u>\$ 2,279</u>	<u>\$ 302,124</u>	<u>\$ 151,208</u>	<u>\$ 61,098</u>	<u>\$ 17,575</u>	<u>\$ 38,363</u>	<u>\$ 1,027,954</u>

LOWER PROVIDENCE TOWNSHIP

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

Year ended December 31, 2019

	Special Revenue Funds				
	Library Fund	Parks and Recreation Operating Fund	Highway Aid Fund	Emergency Services Fund	Tree Fund
REVENUES					
Taxes	\$ 548,558	\$ 383,196	\$ -	\$ 501,798	\$ -
Interest, rents and royalties	-	1,864	3,855	1,999	991
Intergovernmental revenues	-	-	808,185	177,655	-
Charges for services	-	372,651	-	-	-
Contributions and donations	-	31,156	-	-	-
Total revenues	<u>548,558</u>	<u>788,867</u>	<u>812,040</u>	<u>681,452</u>	<u>991</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	657,912	-
Public works - highways and streets	-	-	599,680	-	-
Public works - other services	-	-	-	-	-
Culture and recreation	549,926	765,584	-	-	12,700
Community development	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>549,926</u>	<u>765,584</u>	<u>599,680</u>	<u>657,912</u>	<u>12,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,368)</u>	<u>23,283</u>	<u>212,360</u>	<u>23,540</u>	<u>(11,709)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	-	-
Refund of prior year receipts	(14)	(6,241)	-	-	-
Refund of prior year expenditures	-	5,356	72,847	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(193,057)	-	-
Total other financing sources (uses)	<u>(14)</u>	<u>(885)</u>	<u>(120,210)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,382)</u>	<u>22,398</u>	<u>92,150</u>	<u>23,540</u>	<u>(11,709)</u>
FUND BALANCES (DEFICIT)					
Beginning of year	<u>10,324</u>	<u>(7,634)</u>	<u>105,853</u>	<u>-</u>	<u>117,224</u>
End of year	<u>\$ 8,942</u>	<u>\$ 14,764</u>	<u>\$ 198,003</u>	<u>\$ 23,540</u>	<u>\$ 105,515</u>

Capital Projects Funds							
Debt Service Fund	Liquid Fuels Funded Loans Fund	Parks and Recreation Capital Reserve Fund	West End Capital Improvement Fund	Sidewalk Fund	Stormwater Fund	Capital Projects Fund	Total
\$ 438,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,872,377
100,509	645	2,349	1,038	89	63	481	113,883
104,429	-	-	-	-	-	-	1,090,269
-	-	113,755	-	-	-	-	486,406
-	-	-	61,719	59,000	16,500	4,600	172,975
643,763	645	116,104	62,757	59,089	16,563	5,081	3,735,910
-	-	-	-	-	-	4,898	4,898
11,958	-	-	-	-	-	137,614	807,484
-	-	-	-	-	-	-	599,680
-	-	-	-	-	-	19,000	19,000
-	-	18,849	-	-	-	32,946	1,380,005
-	-	-	-	-	-	-	-
606,620	193,475	-	-	-	-	-	800,095
618,578	193,475	18,849	-	-	-	194,458	3,611,162
25,185	(192,830)	97,255	62,757	59,089	16,563	(189,377)	124,748
-	-	-	-	-	-	10,488	10,488
-	-	-	-	-	-	(25,950)	(32,205)
-	-	-	-	-	-	-	78,203
-	193,057	-	-	-	-	166,616	359,673
-	-	-	-	-	-	-	(193,057)
-	193,057	-	-	-	-	151,154	223,102
25,185	227	97,255	62,757	59,089	16,563	(38,223)	347,850
35,644	2,052	204,647	88,451	2,009	1,012	34,352	593,934
\$ 60,829	\$ 2,279	\$ 301,902	\$ 151,208	\$ 61,098	\$ 17,575	\$ (3,871)	\$ 941,784



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lower Providence Township, Eagleville, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 18, 2020. Our report includes a reference to other auditors who audited the financial statements of Lower Providence Sewer Authority (the "**Sewer Authority**"), as described in our report on the Township's financial statements. The financial statements of the Sewer Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP**Philadelphia, Pennsylvania****May 18, 2020**