



# **Upper Providence Township Phoenixville, Pennsylvania Montgomery County**

Financial Statements  
Years Ended December 31, 2020



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

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# UPPER PROVIDENCE TOWNSHIP

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Supervisors  
Upper Providence Township  
Phoenixville, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Upper Providence Township, Phoenixville, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Upper 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, each major fund and the aggregate remaining fund information of Upper Providence Township, Phoenixville, Pennsylvania, as of December 31, 2020, 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**

The financial statements of Upper Providence Township as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated June 10, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 12 and 51 through 63 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.

**BBD, LLP**

**Philadelphia, Pennsylvania  
October 4, 2022**

# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

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Management's discussion and analysis ("**MD&A**") of the financial performance of Upper Providence Township, Phoenixville, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2020. 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 Montgomery County, Pennsylvania. The Township encompasses 18.2 square miles, which includes the geographic areas of Arcola, Mingo, Mont Clare, Oaks, Port Providence and Yerkes. From these areas 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 to the east and easy access to the Pennsylvania Turnpike, Schuylkill Expressway, Interstate 476 and the Route 202 and Route 422 corridors, Upper Providence Township is truly strategically located for continued stable economic growth.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets and deferred outflows of resources of the Township exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2020 fiscal year of \$90,390,567. During the 2020 fiscal year, the Township had a decrease in total net position of \$626,574.
- As of the close of the 2020 fiscal year, the Township's governmental funds reported combined ending fund balances of \$19,680,375, an increase of \$460,507 in comparison with the prior year.
- The General Fund reported a decrease in fund balance of \$1,937,032, bringing the cumulative balance to \$12,114,277 or 58.79% of total General Fund expenditures and other financing uses at the conclusion of the 2020 fiscal year.
- General Fund revenues and other financing sources were \$1,011,892 or 5.73% more than budgeted amounts and General Fund expenditures and other financing uses were \$1,955,476 or 8.98% less than budgeted amounts resulting in a net positive variance of \$2,967,368.
- 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 was an extended period of time.

### 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.

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## UPPER PROVIDENCE TOWNSHIP

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED***

**December 31, 2020**

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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.

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, public works, and culture and recreation.

#### **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 sewer activities are reported as business-type activities.

The government-wide financial statements can be found on pages 13 and 14 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.

The Township maintains four 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 15 through 18 of this report.

#### **Proprietary Funds**

The Township maintains one type of proprietary fund. All of the Township's proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for the Sewer Operating Fund and Sewer Capital Fund.

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# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

The proprietary fund financial statements can be found on pages 19 through 21 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 Other Postemployment Benefits Trust Fund, and three pension trust funds (Police, Firefighter's and Nonuniform).

The fiduciary fund financial statements can be found on pages 22 and 23 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 24 through 50 of this report.

### Other Information

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

The required supplementary information can be found on pages 51 through 63 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 2020 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$90,390,567. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2020 and 2019.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>						
Current assets	\$21,301,993	\$20,697,117	\$ 7,707,307	\$ 6,872,099	\$ 29,009,300	\$ 27,569,216
Noncurrent assets	55,753,915	56,812,879	19,649,643	19,952,041	75,403,558	76,764,920
<b>Total assets</b>	<b>77,055,908</b>	<b>77,509,996</b>	<b>27,356,950</b>	<b>26,824,140</b>	<b>104,412,858</b>	<b>104,334,136</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charges – OPEB	51,536	49,904	-	-	51,536	49,904
Deferred charges – pensions	408,868	364,932	-	-	408,868	364,932
<b>Total deferred outflows of resources</b>	<b>460,404</b>	<b>414,836</b>	<b>-</b>	<b>-</b>	<b>460,404</b>	<b>414,836</b>
<b>LIABILITIES</b>						
Current liabilities	1,617,593	1,455,427	43,366	355,777	1,660,959	1,811,204
Noncurrent liabilities	9,785,956	10,173,139	-	-	9,785,956	10,173,139
<b>Total liabilities</b>	<b>11,403,549</b>	<b>11,628,566</b>	<b>43,366</b>	<b>355,777</b>	<b>11,446,915</b>	<b>11,984,343</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred credits - OPEB	16,150	-	-	-	16,150	-
Deferred credits - pensions	3,019,630	1,747,488	-	-	3,019,630	1,747,488
<b>Total deferred inflows of resources</b>	<b>3,035,780</b>	<b>1,747,488</b>	<b>-</b>	<b>-</b>	<b>3,035,780</b>	<b>1,747,488</b>
<b>NET POSITION</b>						
Net investment in capital assets	45,761,066	48,588,521	8,154,261	8,123,383	53,915,327	56,711,904
Restricted	8,063,975	5,734,706	14,497,752	14,602,308	22,561,727	20,337,014
Unrestricted	9,251,942	10,225,551	4,661,571	3,742,672	13,913,513	13,968,223
<b>Total net position</b>	<b>\$63,076,983</b>	<b>\$64,548,778</b>	<b>\$27,313,584</b>	<b>\$26,468,363</b>	<b>\$ 90,390,567</b>	<b>\$ 91,017,141</b>

# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

The Township's total assets as of December 31, 2020 were \$104,412,858 of which \$23,781,686 or 22.78% consisted of unrestricted cash and investments and \$63,908,176 or 61.21% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2020 were \$11,446,915 of which \$9,992,849 or 87.30% consisted of general obligation debt used to acquire and construct capital assets.

The Township had unrestricted net position of \$13,913,513 at December 31, 2020. The Township's unrestricted net position decreased by \$54,710 during 2020.

A portion of the Township's net position reflects its restricted net position which totaled \$22,561,727 as of December 31, 2020. All of the Township's restricted net position relate to the net position of the Township's special revenue and capital 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, 2020, the Township's net investment in capital assets decreased by \$2,796,577 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

The following table presents condensed information for the *Statement of Activities* of the Township for 2020 and 2019:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 924,630	\$ 1,287,983	\$3,656,697	\$3,934,212	\$ 4,581,327	\$ 5,222,195
Operating grants and contributions	1,451,597	879,361	-	-	1,451,697	879,361
Capital grants and contributions	702,625	1,240,986	-	-	702,265	1,240,986
General revenues						
Real estate taxes	2,673,456	2,610,912	-	-	2,673,456	2,610,912
Per capita taxes	368	1,557	-	-	368	1,557
Real estate transfer taxes	975,845	1,224,961	-	-	975,845	1,224,961
Earned income taxes	11,147,811	10,882,032	-	-	11,147,811	10,882,032
Local services taxes	907,455	957,718	-	-	907,455	957,718
Special assessments	110,637	57,301	-	-	110,637	57,301
Public utility realty tax	15,382	13,921	-	-	15,382	13,921
Franchise fees	577,733	565,648	-	-	577,733	565,648
Interest and rents	195,292	454,009	104,799	397,402	300,091	851,411
Gain on sale of capital assets	1,375	6,500	-	-	1,375	6,500
Miscellaneous	57,497	443,183	-	1,339	57,497	444,522
<b>Total revenues</b>	<b>19,741,703</b>	<b>20,626,072</b>	<b>3,761,496</b>	<b>4,332,953</b>	<b>23,503,199</b>	<b>24,959,025</b>
<b>EXPENSES</b>						
General government	3,779,363	2,317,564	-	-	3,779,363	2,317,564
Public safety	11,122,658	9,060,573	-	-	11,122,658	9,060,573
Public works						
Highways and streets	4,522,312	4,083,560	-	-	4,522,312	4,083,560
Culture and recreation	1,092,558	882,988	-	-	1,092,558	882,988
Interest on long-term debt	249,495	154,955	-	-	249,495	154,955
Depreciation (unallocated)	-	3,476,992	-	-	-	3,476,992
Miscellaneous	22,751	97,076	-	-	22,751	97,076
Sewer	-	-	3,340,636	3,867,421	3,340,636	3,867,421
<b>Total expenses</b>	<b>20,789,137</b>	<b>20,073,708</b>	<b>3,340,636</b>	<b>3,867,421</b>	<b>24,129,773</b>	<b>23,941,129</b>
<b>Change in net position before transfers</b>	<b>(1,047,434)</b>	<b>552,364</b>	<b>420,860</b>	<b>465,532</b>	<b>(626,574)</b>	<b>1,017,896</b>
<b>TRANSFERS</b>	<b>(424,361)</b>	<b>75,000</b>	<b>424,361</b>	<b>(75,000)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (1,471,795)</b>	<b>\$ 627,364</b>	<b>\$ 845,221</b>	<b>\$ 390,532</b>	<b>\$ (626,574)</b>	<b>\$ 1,017,896</b>



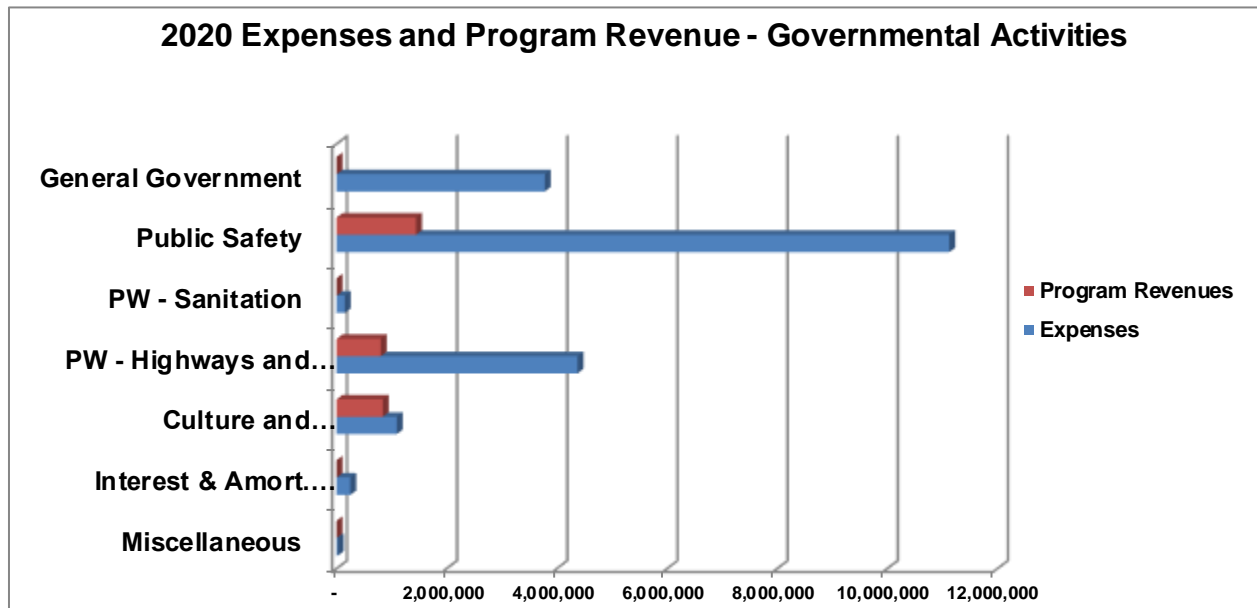
## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

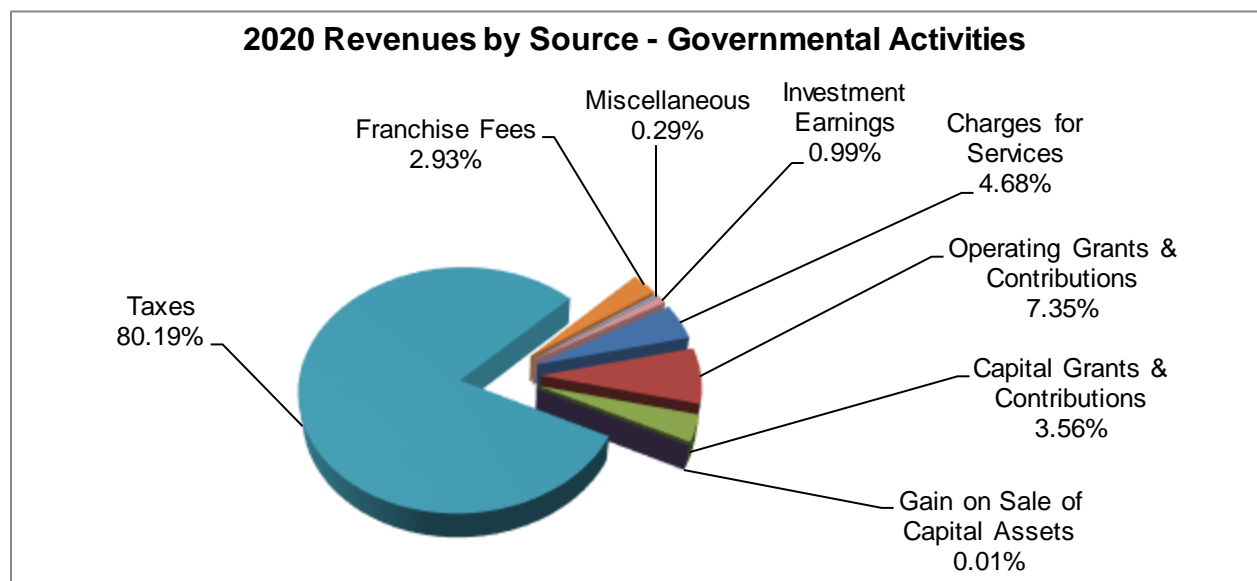
December 31, 2020

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.



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.



## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

#### GOVERNMENTAL FUNDS

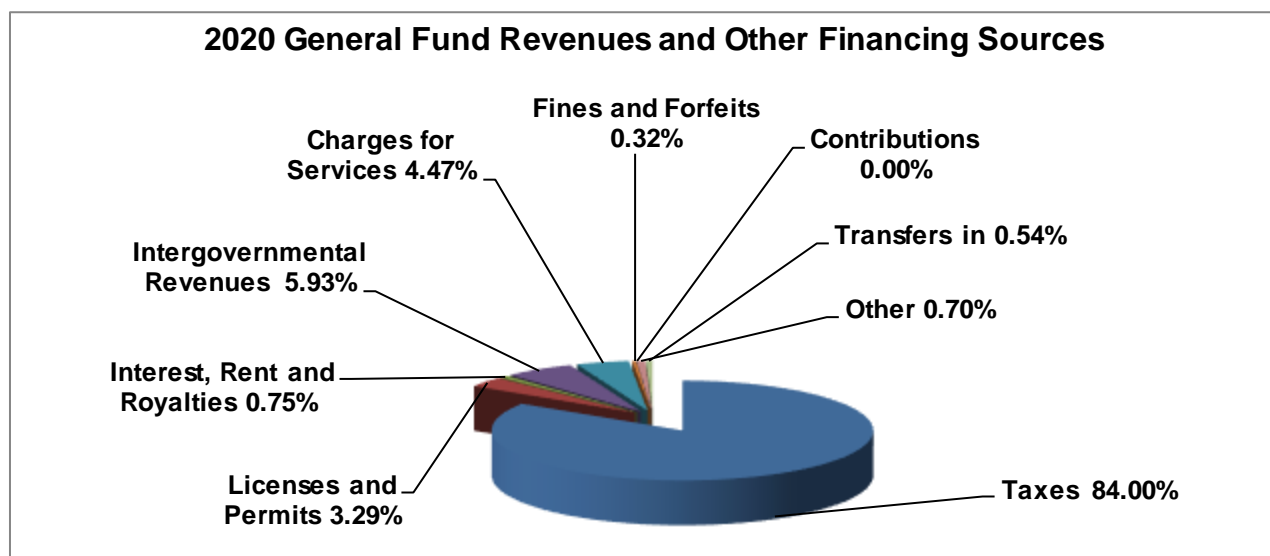
The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2020, the Township's governmental funds reported a combined fund balance of \$19,680,375 which is an increase of \$460,507 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2020 and 2019 and the total 2020 change in governmental fund balances.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>
General Fund	\$12,114,277	\$14,051,309	\$(1,937,032)
Capital Projects Fund	6,489,672	4,144,793	2,344,879
Parks and Recreation Fund	732,229	697,830	34,399
Nonmajor Governmental Fund	<u>344,197</u>	<u>325,936</u>	<u>18,261</u>
	<u>\$19,680,375</u>	<u>\$19,219,868</u>	<u>\$ 460,507</u>

#### GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2020 fiscal year the General Fund fund balance was \$12,114,277 representing a decrease of \$1,937,032 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 2020 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 84.00% of General Fund revenues are derived from local taxes.



# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

### General Fund Revenues and Other Financing Sources

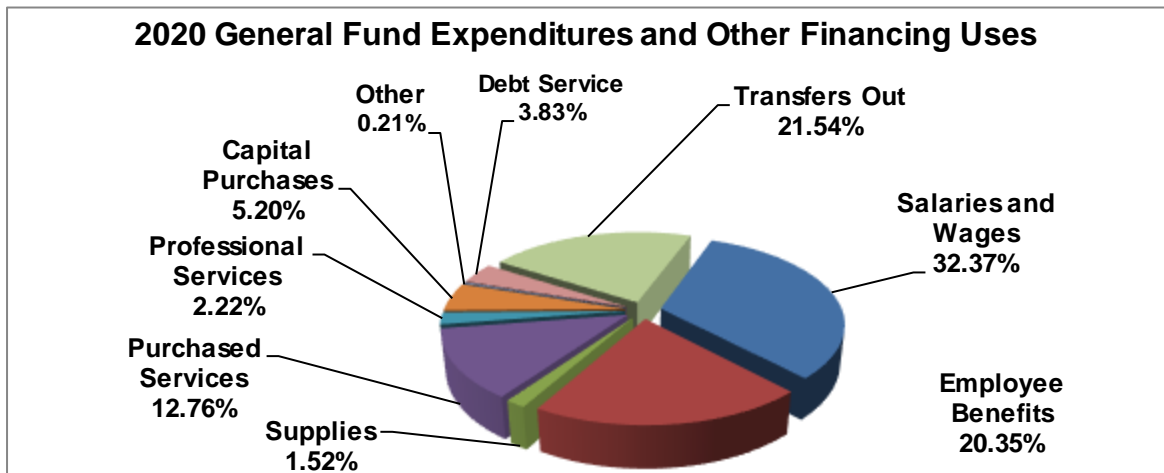
	<u>2020</u>	<u>2019</u>	<u>\$Change</u>	<u>% Change</u>
Taxes	\$15,681,164	\$15,677,180	\$ 3,984	0.03
Licenses and permits	613,873	594,258	19,615	3.30
Interest, rents and royalties	139,363	280,819	(141,456)	(50.37)
Intergovernmental revenues	1,106,508	857,637	248,871	29.02
Charges for services	834,255	1,151,001	(316,746)	(27.52)
Fines and forfeits	58,933	88,301	(29,368)	(33.26)
Contributions	845	37,804	(36,959)	(97.76)
Other	132,912	144,426	(11,514)	(7.97)
Transfers in	<u>100,639</u>	<u>405,000</u>	<u>(304,361)</u>	<u>(75.15)</u>
	<u>\$18,668,492</u>	<u>\$19,236,426</u>	<u>\$(567,934)</u>	<u>(2.95)</u>

Intergovernmental revenues increased by \$248,871 or 29.02% in 2020 when compared to 2019 primarily due grants received through the Commonwealth of Pennsylvania for traffic signals and roads.

Charges for services decreased by \$316,746 or 27.52% in 2020 due to disruptions related to the COVID-19 closures.

Transfers in represent transfers from the Sewer Operating Fund based on an annual appropriation during the budget process.

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



### General Fund Expenditures and Other Financing Uses

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 6,670,769	\$ 6,707,031	\$ (36,262)	(0.54)
Employee benefits	4,193,515	4,126,563	66,952	1.62
Supplies	313,043	344,216	(31,173)	(9.06)
Purchased services	2,628,968	2,947,845	(318,877)	(10.82)
Professional services	456,256	430,960	25,296	5.87
Capital purchases	1,071,828	556,818	515,010	92.49
Other	42,916	126,562	(83,646)	(66.09)
Debt service	790,000	-	790,000	-
Transfers out	<u>4,438,229</u>	<u>1,665,925</u>	<u>2,772,304</u>	<u>166.41</u>
	<u>\$20,605,524</u>	<u>\$16,905,920</u>	<u>\$3,699,604</u>	<u>21.88</u>

## **UPPER PROVIDENCE TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2020**

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Purchased services decreased by \$318,877 or 10.82% in 2020 when compared to 2019 as a result of a reduction of services needed due to disruptions caused by COVID-19.

Capital purchases increased by \$515,010 or 92.49% as a result of budgeted vehicle and equipment expenditures.

A portion of the 2020 debt service maturities on the Township's general obligation debt was paid from General Fund that was paid from Capital Projects Fund in prior year.

Transfers out in 2020 and 2019 represent transfers to the Capital Projects Fund for planned capital projects and expenditures.

#### **CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for financial resources that are committed to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Projects Fund is primarily funded through transfers from the General Fund. During 2020, the Capital Projects Fund fund balance increased by \$2,344,879 for a cumulative balance of \$6,489,672 as of December 31, 2020 which is committed for future capital purchases except for \$135,080 related to long-term notes receivable and prepaid items. The current year increase is due to transfers from the General Fund in excess of current year capital expenditures.

#### **PARKS AND RECREATION FUND**

The Parks and Recreation Fund accounts for financial resources that are committed for the Township's parks and recreation activities. The Parks and Recreation Fund is primarily funded through intergovernmental revenues and contributions. During 2020, the Parks and Recreation Fund balance increased by \$34,399 for a cumulative balance of \$732,229 as of December 31, 2020 which is committed for future parks and recreation activities.

#### **NONMAJOR GOVERNMENTAL FUND**

The Nonmajor Governmental Funds consist of a special revenue 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 Governmental Funds consists of the Highway Aid Fund, which 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. The Highway Aid Fund fund balance increased by \$18,261 for a cumulative balance of \$344,197 as of December 31, 2020.

#### **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 \$1,011,892 or 5.73% more than budgeted amounts and General Fund expenditures and other financing uses were \$1,955,476 or 8.98% less than budgeted amounts resulting in a net positive variance of \$2,967,368. Revenues and other financing sources were over budget primarily due to earned income taxes received being more than budgeted. Public works, public safety and general government expenditures were under budget due to reductions in services primarily as a result of the disruptions caused by COVID-19.

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

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## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

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#### BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

The business-type activities and proprietary funds of the Township include sewer operating and capital activities. The Township operates its own sewage collection system. The Township Board of Supervisors establishes the rates charged to the users of the sewer system. Charges for services represent the principal revenue source for the Township's sewer operations. The net position of the business-type activities and proprietary funds totaled \$27,313,584 as of December 31, 2020. During 2020, the net position of the business-type activities and proprietary funds had an increase of \$845,221. The net position of the Sewer Fund increased by \$918,899 and the net position of the Sewer Capital Fund decreased by \$73,678.

#### CAPITAL ASSETS

The Township's investment in capital assets as of December 31, 2020 amounted to \$63,908,176, 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 2020 was \$1,028,086 or 1.58%. The decrease was the result of current year depreciation expense in excess of current year capital additions.

Current year capital additions were \$3,555,778 and depreciation expense was \$4,583,864.

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

Road repair, repaving and traffic signal projects	\$1,622,694
Fire Truck	\$ 639,593

#### NONCURRENT LIABILITIES

As of December 31, 2020, the Township had total general obligation debt of \$9,992,849 consisting of bonds payable and a premium on the bonds 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 increase in the Township's general obligation debt for the current fiscal year was \$1,768,491 or 21.50%.

On December 1, 2020, the Township issued general obligation bonds, Series of 2020, in the amount of \$9,315,000, the proceeds of which were used to currently refund the remaining portion of the Township's general obligation notes, series of 2017, to finance various capital projects and to pay the cost of the issuance. The Township currently refunded the general obligation notes, Series of 2017 to reduce future debt service payments by \$206,964.

The Township reports its defined benefit pension liability (asset) and its net liability (asset) for post-employment benefits on its statement of position. The Township's net pension liability (asset) and net liability (asset) for post-employment benefits are actuarially determined liabilities that totaled a liability(asset) of \$(953,149) as of December 31, 2020, which decreased by \$2,171,317 or 178.24% during the current year.

Other noncurrent liabilities consist of the Township's liability for compensated absences. This liability increased by \$15,643 or 2.14% during the current year.

#### FACTORS BEARING ON THE TOWNSHIP'S FUTURE

Upper Providence Township services an area of 18.2 square miles and a community of 24,438 residents (2020 census). Located along the Route 422 corridor in Montgomery County, Upper Providence Township has been one of the fastest growing communities in Pennsylvania. Some of the world's most important medical advances come from three of Upper Providence's (and the world's) largest employers: Pfizer, GlaxoSmithKline and Quest Diagnostics. Homes built since 1990 comprise the majority of the Upper Providence housing stock. As companies have expanded in Upper Providence, new residents and new businesses arrived, prompting more than 300,000 square feet in new retail space in 2001/02 alone. The Township's first contemporary hotel was built in 1998 (The Hampton Inn and Bob Evans Restaurant) along with Regal Cinema, a 24-screen movie theater. Target and Lowe's opened in the Oaks section of Upper Providence Township in 2001-2002. BJ's Wholesale opened in 2009. A new Hilton Garden Inn hotel was built along Route 422. The big stores that opened at the Providence Town Center include Dick's Sporting Goods, LA Fitness Center, Best Buy, PetSmart, Five Below, Wegman's, Home Goods, Michael's, Raymour and Flanigan, Olive Garden, P.F. Chang's Restaurant, The Movie Tavern and Firebirds.

## **UPPER PROVIDENCE TOWNSHIP**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED***

**December 31, 2020**

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The Township adopted a balanced 2021 General Fund budget totaling \$18,319,861 and the real estate tax millage rate remained at 1.20 mills.

The Township is expected to receive approximately \$2.5 million as part of the American Rescue Plan Act. Half is expected to be received in 2021 and the remaining in 2022. The Township is analyzing how it will be permitted to spend that money over the next four years based on the strict guidelines from the federal government. However, in the interim, the Township will place the money we receive in a designated account created specifically for this purpose so that it is not commingled with our general operating funds.

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

Collection of the earned income taxes is a good indicator of local economic conditions. For 2020, the Township's collection of this earned income taxes was \$11,147,811, an increase of \$265,779 or an increase of 2.44% from the prior year.

Future financial and economic indicators for the Township continue to be moderately conservative and continue to be impacted by COVID-19. A five-year capital budget has been maintained in order to address road, infrastructure and equipment needs. Roads have been identified and prioritized for resurfacing 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 AAA (Moody's) bond rating, the highest possible.

### **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 Director of Finance, 1286 Black Road, Phoenixville, PA 19460.

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF NET POSITION

December 31, 2020 with summarized comparative totals for 2019

	Governmental	Business-Type	Totals	
	Activities	Activities	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,193,182	\$ 2,635,516	\$ 8,828,698	\$ 5,878,971
Investments	14,451,732	501,256	14,952,988	16,416,643
Internal balances	(3,342,608)	3,342,608	-	-
Taxes receivable	2,987,652	-	2,987,652	2,389,875
Receivables	288,851	1,227,927	1,516,778	1,383,368
Due from developers	64,691	-	64,691	566,147
Prepaid items	25,536	-	25,536	23,459
Restricted cash	245,638	-	245,638	44,764
Restricted investments	387,319	-	387,319	865,989
<b>Total current assets</b>	<b>21,301,993</b>	<b>7,707,307</b>	<b>29,009,300</b>	<b>27,569,216</b>
<b>NONCURRENT ASSETS</b>				
Deposits on EDU's	-	18,000	18,000	18,000
Restricted cash	-	748,545	748,545	755,294
Restricted investments	-	10,728,837	10,728,837	11,055,364
Capital assets, net	55,753,915	8,154,261	63,908,176	64,936,262
<b>Total noncurrent assets</b>	<b>55,753,915</b>	<b>19,649,643</b>	<b>75,403,558</b>	<b>76,764,920</b>
<b>Total assets</b>	<b>77,055,908</b>	<b>27,356,950</b>	<b>104,412,858</b>	<b>104,334,136</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges - OPEB	51,536	-	51,536	49,904
Deferred charges - pensions	408,868	-	408,868	364,932
<b>Total deferred outflows of resources</b>	<b>460,404</b>	<b>-</b>	<b>460,404</b>	<b>414,836</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	943,071	43,366	986,437	900,451
Due to developers	632,957	-	632,957	910,753
Accrued interest payable	41,565	-	41,565	-
<b>Total current liabilities</b>	<b>1,617,593</b>	<b>43,366</b>	<b>1,660,959</b>	<b>1,811,204</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	691,882	-	691,882	683,000
Due in more than one year	9,094,074	-	9,094,074	9,490,139
<b>Total noncurrent liabilities</b>	<b>9,785,956</b>	<b>-</b>	<b>9,785,956</b>	<b>10,173,139</b>
<b>Total liabilities</b>	<b>11,403,549</b>	<b>43,366</b>	<b>11,446,915</b>	<b>11,984,343</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits - OPEB	16,150	-	16,150	-
Deferred credits - pensions	3,019,630	-	3,019,630	1,747,488
<b>Total deferred inflows of resources</b>	<b>3,035,780</b>	<b>-</b>	<b>3,035,780</b>	<b>1,747,488</b>
<b>NET POSITION</b>				
Net investment in capital assets	45,761,066	8,154,261	53,915,327	56,711,904
Restricted	8,063,975	14,497,752	22,561,727	20,337,014
Unrestricted	9,251,942	4,661,571	13,913,513	13,968,223
<b>Total net position</b>	<b>\$ 63,076,983</b>	<b>\$ 27,313,584</b>	<b>\$ 90,390,567</b>	<b>\$ 91,017,141</b>

See accompanying notes

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF ACTIVITIES

Year ended December 31, 2020 with summarized comparative totals for 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities	2020	2019
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 3,779,363	\$ -	\$ -	\$ -	\$ (3,779,363)	\$ -	\$ (3,779,363)	\$ (2,316,564)
Public safety	11,122,658	790,488	649,801	-	(9,682,369)	-	(9,682,369)	(7,572,438)
Public works								
Highways and streets	4,522,312	-	801,546	433,375	(3,287,391)	-	(3,287,391)	(3,211,236)
Culture and recreation	1,092,558	134,142	250	269,250	(688,916)	-	(688,916)	163,883
Interest expense related to noncurrent liabilities	249,495	-	-	-	(249,495)	-	(249,495)	(154,955)
Depreciation (unallocated)	-	-	-	-	-	-	-	(3,476,992)
Miscellaneous	22,751	-	-	-	(22,751)	-	(22,751)	(97,076)
<b>Total governmental activities</b>	<u>20,789,137</u>	<u>924,630</u>	<u>1,451,597</u>	<u>702,625</u>	<u>(17,710,285)</u>	<u>-</u>	<u>(17,710,285)</u>	<u>(16,665,378)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	3,340,636	3,656,697	-	-	-	316,061	316,061	66,791
<b>Total primary government</b>	<u>\$ 24,129,773</u>	<u>\$ 4,581,327</u>	<u>\$ 1,451,597</u>	<u>\$ 702,625</u>	<u>(17,710,285)</u>	<u>-</u>	<u>(17,394,224)</u>	<u>(16,598,587)</u>
<b>GENERAL REVENUES</b>								
Taxes								
Real estate taxes					2,673,456	-	2,673,456	2,610,912
Per capita taxes					368	-	368	1,557
Real estate transfer taxes					975,845	-	975,845	1,224,961
Earned income taxes					11,147,811	-	11,147,811	10,882,032
Local services taxes					907,455	-	907,455	957,718
Special assessments					110,637	-	110,637	57,301
Public utility realty tax					15,382	-	15,382	13,921
Franchise fees					577,733	-	577,733	565,648
Miscellaneous					57,497	-	57,497	444,522
Interest and rents					195,292	104,799	300,091	851,411
Gain on sale of capital assets					1,375	-	1,375	6,500
<b>TRANSFERS</b>					(424,361)	424,361	-	-
<b>Total general revenues and transfers</b>					<u>16,238,490</u>	<u>529,160</u>	<u>16,767,650</u>	<u>17,616,483</u>
<b>CHANGE IN NET POSITION</b>					(1,471,795)	845,221	(626,574)	1,017,896
<b>NET POSITION</b>								
Beginning of year					<u>64,548,778</u>	<u>26,468,363</u>	<u>91,017,141</u>	<u>89,999,245</u>
<b>End of year</b>					<u>\$ 63,076,983</u>	<u>\$ 27,313,584</u>	<u>\$ 90,390,567</u>	<u>\$ 91,017,141</u>

See accompanying notes



# UPPER PROVIDENCE TOWNSHIP

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Non-Major Funds	Totals	
	General Fund	Capital Projects Fund	Parks and Recreation Fund	Highway Aid Fund	2020	2019
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,933,756	\$ 519,122	\$ 663,120	\$ 77,184	\$ 6,193,182	\$ 4,369,939
Investments	3,604,592	10,064,524	515,603	267,013	14,451,732	15,405,535
Receivables	155,516	133,335	-	-	288,851	166,419
Taxes receivable	2,987,652	-	-	-	2,987,652	2,389,875
Due from other funds	1,394,870	13,333	232,000	-	1,640,203	1,409,369
Due from developers	64,691	-	-	-	64,691	566,147
Prepaid items	23,791	1,745	-	-	25,536	23,459
Restricted cash	245,638	-	-	-	245,638	44,764
Restricted investments	387,319	-	-	-	387,319	865,989
<b>Total assets</b>	<b>\$ 13,797,825</b>	<b>\$ 10,732,059</b>	<b>\$ 1,410,723</b>	<b>\$ 344,197</b>	<b>\$ 26,284,804</b>	<b>\$ 25,241,496</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 759,668	\$ 167,719	\$ 15,684	\$ -	\$ 943,071	\$ 546,658
Due to other funds	245,333	4,074,668	662,810	-	4,982,811	4,544,379
Due to developers	632,957	-	-	-	632,957	910,753
<b>Total liabilities</b>	<b>1,637,958</b>	<b>4,242,387</b>	<b>678,494</b>	<b>-</b>	<b>6,558,839</b>	<b>6,001,790</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - property taxes	45,590	-	-	-	45,590	19,838
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid items	23,791	1,745	-	-	25,536	23,459
Notes receivable	-	133,335	-	-	133,335	146,668
Restricted for						
Escrows	632,957	-	-	-	632,957	566,147
Public works - roads	-	-	-	344,197	344,197	325,936
Committed for						
Capital projects	-	6,354,592	-	-	6,354,592	3,997,380
Parks and recreation	-	-	732,229	-	732,229	697,830
Unassigned	11,457,529	-	-	-	11,457,529	13,462,448
<b>Total fund balances</b>	<b>12,114,277</b>	<b>6,489,672</b>	<b>732,229</b>	<b>344,197</b>	<b>19,680,375</b>	<b>19,219,868</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,797,825</b>	<b>\$ 10,732,059</b>	<b>\$ 1,410,723</b>	<b>\$ 344,197</b>	<b>\$ 26,284,804</b>	<b>\$ 25,241,496</b>

See accompanying notes

## UPPER PROVIDENCE TOWNSHIP

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

December 31, 2020

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 19,680,375</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	55,753,915
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.	45,590
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.	(2,575,376)
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(41,565)
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>(9,785,956)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 63,076,983</u></b>

# UPPER PROVIDENCE TOWNSHIP

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

Year ended December 31, 2020 with summarized comparative totals for 2019

	Major Funds			Non-Major Funds	Totals	
	General Fund	Capital Projects Fund	Parks and Recreation Fund	Highway Aid Fund	2020	2019
<b>REVENUES</b>						
Taxes	\$ 15,681,164	\$ -	\$ -	\$ -	\$ 15,681,164	\$ 15,677,180
Licenses and permits	613,873	115,600	-	-	729,473	594,258
Fines and forfeits	58,933	-	-	-	58,933	88,301
Interest, rent and royalties	139,363	52,322	22,849	3,558	218,092	454,009
Intergovernmental revenues	1,106,508	-	-	685,101	1,791,609	1,561,573
Charges for services	834,255	-	25	-	834,280	1,163,522
Contributions	845	250	269,000	-	270,095	84,245
State, local and federal grants	-	-	-	-	-	496,000
Miscellaneous	132,912	-	-	-	132,912	500,484
<b>Total revenues</b>	<u>18,567,853</u>	<u>168,172</u>	<u>291,874</u>	<u>688,659</u>	<u>19,716,558</u>	<u>20,619,572</u>
<b>EXPENDITURES</b>						
Current						
General government	2,366,257	1,156,113	-	-	3,522,370	3,149,532
Public safety	9,313,765	669,124	-	-	9,982,889	9,305,917
Public works - highways and streets	2,865,629	2,263,221	-	670,398	5,799,248	5,217,388
Culture and recreation	808,894	-	257,475	-	1,066,369	1,145,614
Miscellaneous	22,750	-	-	-	22,750	97,076
Debt service	790,000	95,000	-	-	885,000	834,000
<b>Total expenditures</b>	<u>16,167,295</u>	<u>4,183,458</u>	<u>257,475</u>	<u>670,398</u>	<u>21,278,626</u>	<u>19,749,527</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,400,558</u>	<u>(4,015,286)</u>	<u>34,399</u>	<u>18,261</u>	<u>(1,562,068)</u>	<u>870,045</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from issuance of long-term debt	-	9,315,000	-	-	9,315,000	6,844,832
Bond premiums	-	682,589	-	-	682,589	-
Payment of debt - refunding	-	(7,552,028)	-	-	(7,552,028)	-
Proceeds from sale of capital assets	-	1,375	-	-	1,375	6,500
Transfers in	100,639	4,138,229	-	-	4,238,868	1,970,925
Transfers out	(4,438,229)	(225,000)	-	-	(4,663,229)	(1,895,925)
<b>Total other financing sources (uses)</b>	<u>(4,337,590)</u>	<u>6,360,165</u>	<u>-</u>	<u>-</u>	<u>2,022,575</u>	<u>6,926,332</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,937,032)</u>	<u>2,344,879</u>	<u>34,399</u>	<u>18,261</u>	<u>460,507</u>	<u>7,796,377</u>
<b>FUND BALANCES</b>						
Beginning of year	<u>14,051,309</u>	<u>4,144,793</u>	<u>697,830</u>	<u>325,936</u>	<u>19,219,868</u>	<u>11,423,491</u>
<b>End of year</b>	<u>\$ 12,114,277</u>	<u>\$ 6,489,672</u>	<u>\$ 732,229</u>	<u>\$ 344,197</u>	<u>\$ 19,680,375</u>	<u>\$ 19,219,868</u>

See accompanying notes

## UPPER 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, 2020

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<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 460,507</b>
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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	\$ 3,013,249	
Depreciation expense	<u>(4,072,213)</u>	(1,058,964)

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, 2019	(21,822)	
Deferred inflows of resources December 31, 2020	<u>45,590</u>	23,768

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.

Issuance of bonds payable	(9,315,000)	
Proceeds from bond premiums	(682,589)	
Repayment of notes payable	8,224,358	
Amortization of premium on bonds	<u>4,740</u>	(1,768,491)

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	(15,643)	
Current year change in accrued interest payable	(41,565)	
Change in net OPEB liability and related deferred inflows and outflows	(58,574)	
Change in net pension liability and related deferred inflows and outflows	<u>987,167</u>	871,385

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (1,471,795)</u></b>
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See accompanying notes

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2020 with summarized comparative totals for 2019

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Funds</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,635,516	\$ -	\$ 2,635,516	\$ 1,509,032
Investments	501,256	-	501,256	1,011,108
Receivables	1,227,927	-	1,227,927	1,216,949
Due from other funds	286,153	3,300,000	3,586,153	3,720,379
<b>Total current assets</b>	<u>4,650,852</u>	<u>3,300,000</u>	<u>7,950,852</u>	<u>7,457,468</u>
<b>NONCURRENT ASSETS</b>				
Restricted assets				
Cash equivalents	-	748,545	748,545	755,294
Investments	-	10,728,837	10,728,837	11,055,364
Deposits on EDU's	18,000	-	18,000	18,000
Capital assets, net	-	8,154,261	8,154,261	8,123,383
<b>Total noncurrent assets</b>	<u>18,000</u>	<u>19,631,643</u>	<u>19,649,643</u>	<u>19,952,041</u>
<b>Total assets</b>	<u>4,668,852</u>	<u>22,931,643</u>	<u>27,600,495</u>	<u>27,409,509</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	7,281	36,085	43,366	355,777
Due to other funds	-	243,545	243,545	585,369
<b>Total liabilities</b>	<u>7,281</u>	<u>279,630</u>	<u>286,911</u>	<u>941,146</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	8,154,261	8,154,261	8,123,383
Restricted	-	14,497,752	14,497,752	14,602,308
Unrestricted	4,661,571	-	4,661,571	3,742,672
<b>Total net position</b>	<u>\$ 4,661,571</u>	<u>\$ 22,652,013</u>	<u>\$ 27,313,584</u>	<u>\$ 26,468,363</u>

See accompanying notes

# UPPER PROVIDENCE TOWNSHIP

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

Year ended December 31, 2020 with summarized comparative totals for 2019

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Funds</u>	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>				
Charges for services				
Sewer rents	\$ 3,129,327	\$ -	\$ 3,129,327	\$ 3,196,496
Connection and other fees	527,370	-	527,370	737,716
Miscellaneous	-	-	-	1,339
<b>Total operating revenues</b>	<u>3,656,697</u>	<u>-</u>	<u>3,656,697</u>	<u>3,935,551</u>
<b>OPERATING EXPENSES</b>				
Contracted services	2,614,787	-	2,614,787	3,122,879
Supplies	1,121	-	1,121	1,433
Miscellaneous	3,162	-	3,162	47,240
Professional services	-	181,834	181,834	207,598
Repairs and maintenance	6,253	-	6,253	3,768
Electric and water	21,828	-	21,828	19,607
Insurance	-	-	-	4,902
Depreciation	-	511,651	511,651	459,994
<b>Total operating expenses</b>	<u>2,647,151</u>	<u>693,485</u>	<u>3,340,636</u>	<u>3,867,421</u>
<b>Operating income (loss)</b>	1,009,546	(693,485)	316,061	68,130
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	<u>9,992</u>	<u>94,807</u>	<u>104,799</u>	<u>397,402</u>
<b>Change in net position     before transfers</b>	1,019,538	(598,678)	420,860	465,532
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	525,000	525,000	325,000
Transfers out	<u>(100,639)</u>	<u>-</u>	<u>(100,639)</u>	<u>(400,000)</u>
<b>Total other financing sources (uses)</b>	<u>(100,639)</u>	<u>525,000</u>	<u>424,361</u>	<u>(75,000)</u>
<b>CHANGE IN NET POSITION</b>	918,899	(73,678)	845,221	390,532
<b>NET POSITION</b>				
Beginning of year	<u>3,742,672</u>	<u>22,725,691</u>	<u>26,468,363</u>	<u>26,077,831</u>
End of year	<u>\$ 4,661,571</u>	<u>\$ 22,652,013</u>	<u>\$ 27,313,584</u>	<u>\$ 26,468,363</u>

See accompanying notes

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Enterprise Funds		Totals	
	Sewer Revenue Fund	Sewer Capital Funds	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,645,719	\$ -	\$ 3,645,719	\$ 2,822,087
Cash payments to vendors for goods and services	(2,938,440)	(410,554)	(3,348,994)	(2,524,119)
<b>Net cash provided by (used) for operating activities</b>	<u>707,279</u>	<u>(410,554)</u>	<u>296,725</u>	<u>297,968</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) from other funds	(100,639)	525,000	424,361	(75,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition, construction and improvement of capital assets	-	(542,529)	(542,529)	(1,648,806)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net sales of investments	509,852	326,527	836,379	1,554,773
Earnings on investments	9,992	94,807	104,799	397,402
<b>Net cash provided by investing activities</b>	<u>519,844</u>	<u>421,334</u>	<u>941,178</u>	<u>1,952,175</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,126,484	(6,749)	1,119,735	526,337
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning of year	<u>1,509,032</u>	<u>755,294</u>	<u>2,264,326</u>	<u>1,737,989</u>
<b>Ending of year</b>	<u>\$ 2,635,516</u>	<u>\$ 748,545</u>	<u>\$ 3,384,061</u>	<u>\$ 2,264,326</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 1,009,546	\$ (693,485)	\$ 316,061	\$ 68,130
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>				
Depreciation	-	511,651	511,651	459,994
(Increase) decrease in				
Receivables	(10,978)	-	(10,978)	(1,113,464)
Due from other funds	(90,774)	225,000	134,226	444,022
Increase (decrease) in				
Accounts payable	(200,515)	(111,896)	(312,411)	355,777
Due to other funds	-	(341,824)	(341,824)	83,509
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 707,279</u>	<u>\$ (410,554)</u>	<u>\$ 296,725</u>	<u>\$ 297,968</u>

See accompanying notes

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2020 with summarized comparative totals for 2019

	Police Pension Fund	Firefighters' Pension Fund	Non-Uniformed Pension Fund	Post-Retirement Health Benefit Fund	Totals	
					2020	2019
<b>ASSETS</b>						
Cash and cash equivalents	\$ 444,622	\$ 18,943	\$ 240,811	\$ 62,153	\$ 766,529	\$ 355,837
Investments	13,578,161	529,036	9,471,049	1,393,078	24,971,324	21,459,532
Accounts receivable	24,750	-	-	-	24,750	-
<b>Total assets</b>	<u>14,047,533</u>	<u>547,979</u>	<u>9,711,860</u>	<u>1,455,231</u>	<u>25,762,603</u>	<u>21,815,369</u>
<b>LIABILITIES</b>						
Accounts payable	-	2,525	3,525	-	6,050	-
<b>NET POSITION</b>						
Reserved for plan participants	<u>14,047,533</u>	<u>545,454</u>	<u>9,708,335</u>	<u>1,455,231</u>	<u>25,756,553</u>	<u>21,815,359</u>
<b>Total net position</b>	<u>\$ 14,047,533</u>	<u>\$ 545,454</u>	<u>\$ 9,708,335</u>	<u>\$ 1,455,231</u>	<u>\$ 25,756,553</u>	<u>\$ 21,815,359</u>

See accompanying notes



# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2020 with summarized comparative totals for 2019

	Police Pension Fund	Firefighters' Pension Fund	Non-Uniformed Pension Fund	Post-Retirement Health Benefit Fund	Totals	
					2020	2019
<b>ADDITIONS</b>						
<b>Contributions</b>						
Employer contributons	\$ 865,690	\$ 57,083	\$ 447,930	\$ -	\$ 1,370,703	\$ 1,271,883
Employee contributions	77,972	-	-	-	77,972	69,940
<b>Total Contributions</b>	<u>943,662</u>	<u>57,083</u>	<u>447,930</u>	<u>-</u>	<u>1,448,675</u>	<u>1,341,823</u>
<b>Investment income</b>						
Interest and dividends	255,942	9,973	180,190	2,051	448,156	501,660
Increase in the fair market value of assets	<u>1,515,786</u>	<u>63,100</u>	<u>1,136,372</u>	<u>107,062</u>	<u>2,822,320</u>	<u>3,170,918</u>
<b>Total investment       income</b>	<u>1,771,728</u>	<u>73,073</u>	<u>1,316,562</u>	<u>109,113</u>	<u>3,270,476</u>	<u>3,672,578</u>
<b>Total additions</b>	<u>2,715,390</u>	<u>130,156</u>	<u>1,764,492</u>	<u>109,113</u>	<u>4,719,151</u>	<u>4,944,461</u>
<b>DEDUCTIONS</b>						
Administrative expenses	37,867	7,477	33,181	8,859	87,384	72,548
Benefits paid	<u>317,908</u>	<u>-</u>	<u>356,586</u>	<u>16,079</u>	<u>690,573</u>	<u>1,021,711</u>
<b>Total deductions</b>	<u>355,775</u>	<u>7,477</u>	<u>389,767</u>	<u>24,938</u>	<u>777,957</u>	<u>1,094,259</u>
<b>CHANGE IN NET       POSITION</b>	<u>2,359,615</u>	<u>122,679</u>	<u>1,374,725</u>	<u>84,175</u>	<u>3,941,194</u>	<u>3,850,202</u>
<b>NET POSITION</b>						
Beginning of year	<u>11,687,918</u>	<u>422,775</u>	<u>8,333,610</u>	<u>1,371,056</u>	<u>21,815,359</u>	<u>17,895,217</u>
<b>End of year</b>	<u>\$ 14,047,533</u>	<u>\$ 545,454</u>	<u>\$ 9,708,335</u>	<u>\$ 1,455,231</u>	<u>\$ 25,756,553</u>	<u>\$ 21,745,419</u>

See accompanying notes

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

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

#### **Blended Component Units**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities display information about the Township 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.

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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The government-wide statement of net position presents the financial position of the Township 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 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 Fund is 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 Parks and Recreation Fund is used to account for funds committed for expenses related to the Township's parks and recreation activities for the Township's residents.

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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The Township reports the following major proprietary funds:

The Sewer Revenue Fund and Sewer Capital Funds are used to account for sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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.

#### ***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 funds:

The Sewer Revenue Fund and Sewer Capital Funds are used to account for sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net position and changes in net position and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. The Township has four trust funds, consisting of a Police Pension Fund, a Nonuniform Pension Fund, a Firefighters' Pension Fund and an other postemployment benefits fund.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### **Cash and Cash Equivalents**

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

### **Investments**

Investments are 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).

### **Taxes**

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

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

The Montgomery County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the elected Township Tax Collector. The tax on real estate for fiscal 2020 was 1.200 mills (\$1.20 for \$1,000 of assessed valuation), consisting of 0.500 mills for general purposes, 0.675 mills for fire protection services, and 0.250 mills for ambulance/EMS services. 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.

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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Other taxes levied in 2020 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	- \$47.00 per year

#### **Accounts Receivable**

The Township's accounts receivable are reported at net realizable value. The Township's sewer operations experience very small losses from uncollectible accounts. Sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances after tax sales are written off each year. Accounts receivable are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical trend information.

#### **Prepaid Items**

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

#### **Unearned Revenues**

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

#### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of \$2,500 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: land and improvements – 15-20 years; sewer system – 10-40 years; infrastructure – 15-50 years; automobiles – 3-5; building and improvements – 7-40 years; and equipment, furniture and fixtures – 3-7 years.

#### **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. No impairment losses were recognized in the year ended December 31, 2020.

#### **Compensated Absences**

Township policies permit employees to accumulate earned but unused 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.

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# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### **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).

#### ***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.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### **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, 2019, from which the summarized information was derived.

### **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**

Effective January 1, 2020, the Township adopted the provisions of GASB Statement No. 83 "*Certain Asset Retirement Obligations*", GASB Statement No. 84 "*Fiduciary Activities*", GASB Statement No. 88 "*Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*" and GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*".

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. The implementation of GASB Statement No. 83 had no impact on the Township's financial statements 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. As a result of the implementation of GASB Statement No. 84 the Township reported the Police Pension Fund, Firefighters' Pension Fund, Nonuniform Pension Fund and the Other-Postemployment Benefits Fund as component units 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. The implementation of GASB Statement No. 88 had no impact on the Township's financial statements for the year ended December 31, 2020.



## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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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. The implementation of GASB Statement No. 90 had no impact on the Township's financial statements for the year ended December 31, 2020.

#### **New Accounting Pronouncements**

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.

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.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### (3) DEPOSITS AND INVESTMENTS

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

#### **Custodial Credit Risk - Deposits**

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

At December 31, 2020, the carrying amount of the Township's deposits was \$10,589,410 and the bank balance was \$10,622,396. Of the bank balance, \$800,217 was covered by federal depository insurance and \$4,793,853 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, 2020, PLGIT was rated AAA by a nationally recognized statistical rating agency.

#### **Investments**

As of December 31, 2020, Township had the following investments:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Maturities (In Years)</u></b>	
		<b><u>Less than 1</u></b>	<b><u>1-5</u></b>
Certificates of deposit	\$ 470,000	\$ 248,000	\$222,000
State investment pools	25,852,211	25,852,211	-
Mutual funds	441,833	441,833	-
Exchange traded funds	24,276,424	24,276,424	-
	<b><u>\$51,040,468</u></b>	<b><u>\$50,818,468</u></b>	<b><u>\$222,000</u></b>

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 investments 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.

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

#### 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 is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. As of December 31, 2020, the Township had no investments subject to concentration of credit risk.

#### (4) CAPITAL ASSETS

The Township's capital asset activity for the year ended December 31, 2020 was as follows:

	<b>Balance January 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2020</b>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 9,869,073	\$ -	\$ -	\$ 9,869,073
Capital assets being depreciated				
Land improvements	4,669,244	4,191	-	4,673,435
Infrastructure	62,262,412	1,622,694	-	63,885,106
Automobiles	6,006,428	870,158	-	6,876,586
Building and improvements	23,049,397	66,204	-	23,115,601
Equipment, furniture and fixtures	5,557,108	450,002	3,183	6,003,927
<b>Total capital assets being depreciated</b>	<b>101,544,589</b>	<b>3,013,249</b>	<b>3,183</b>	<b>104,554,655</b>
Less accumulated depreciation for				
Land improvements	(2,326,873)	(203,529)	-	(2,530,402)
Infrastructure	(37,231,080)	(2,051,731)	-	(39,282,811)
Automobiles	(5,028,161)	(627,166)	-	(5,655,327)
Building and improvements	(5,329,951)	(819,093)	-	(6,149,044)
Equipment, furniture and fixtures	(4,684,718)	(370,694)	(3,183)	(5,052,229)
<b>Total accumulated depreciation</b>	<b>(54,600,783)</b>	<b>(4,072,213)</b>	<b>(3,183)</b>	<b>(58,669,813)</b>
<b>Total capital assets being depreciated, net</b>	<b>46,943,806</b>	<b>(1,058,964)</b>	<b>-</b>	<b>45,884,842</b>
<b>Governmental activities, net</b>	<b>\$ 56,812,879</b>	<b>\$(1,058,964)</b>	<b>\$ -</b>	<b>\$ 55,753,915</b>
<b>Business-type activities</b>				
Capital assets being depreciated				
Sewer system	\$ 16,344,851	\$ 542,529	\$ -	\$ 16,887,380
Accumulated depreciation	(8,221,468)	(511,651)	-	(8,733,119)
<b>Business-type activities, net</b>	<b>\$ 8,123,383</b>	<b>\$ 30,878</b>	<b>\$ -</b>	<b>\$ 8,154,261</b>

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

<b>Governmental activities</b>	
General government	\$ 627,560
Public safety	2,470,124
Public works - sanitation	40,446
Public works – highways and streets	719,554
Culture and recreation	214,529
<b>Total depreciation expense - governmental activities</b>	<b>\$4,072,213</b>

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2020 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 605,212	Parks and Recreation Fund	\$ 605,212
General Fund	774,668	Capital Projects Fund	774,668
General Fund	14,990	Sewer Capital Fund	14,990
Capital Projects Fund	13,333	General Fund	13,333
Parks and Recreation Fund	232,000	General Fund	232,000
Sewer Capital Fund	2,800,000	Capital Projects Fund	2,800,000
Sewer Capital Fund	500,000	Capital Projects Fund	500,000
Sewer Revenue Fund	57,598	Parks and Recreation Fund	57,598
Sewer Revenue Fund	<u>228,555</u>	Sewer Capital Fund	<u>228,555</u>
	<u>\$5,226,356</u>		<u>\$5,226,356</u>

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

In 2014, the Sewer Capital Fund loaned the Capital Projects Fund \$4,500,000 for the purpose of financing the construction of the new police administration building. The loan is interest free and is payable over 30 years. The balance outstanding as of December 31, 2020 is \$2,800,000.

A summary of interfund transfers for the year ended December 31, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$ 100,639	Sewer Revenue Fund	\$ 100,639
Capital Projects Fund	4,138,229	General Fund	4,138,229
Sewer Capital Fund	300,000	General Fund	300,000
Sewer Capital Fund	<u>225,000</u>	Capital Projects Fund	<u>225,000</u>
	<u>\$4,763,868</u>		<u>\$4,763,868</u>

Transfers from the Sewer Revenue Fund to the General Fund are for the purpose of reimbursing the General Fund for administrative costs. All other transfers represent allocations for the purpose of purchasing and constructing capital assets or funding operations.

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in the Township's noncurrent liabilities for the year ended December 31, 2020:

	<u>Balance January 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2020</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Notes payable	\$ 8,224,358	\$ -	\$ 8,224,358	\$ -	\$ -
Bonds payable	-	9,315,000	-	9,315,000	635,000
Bond premium	-	682,589	4,740	677,849	56,882
<b>Total general obligation debt</b>	<u>8,224,358</u>	<u>9,997,589</u>	<u>8,229,098</u>	<u>9,992,849</u>	<u>691,882</u>

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

<b>Other noncurrent liabilities</b>					
Compensated absences	730,613	36,460	20,817	746,256	-
Net OPEB liability (asset)	(69,090)	153,169	109,113	(25,034)	-
Net pension liability (asset)	<u>1,287,258</u>	<u>2,491,013</u>	<u>4,706,386</u>	<u>(928,115)</u>	<u>-</u>
<b>Total other noncurrent liabilities (assets)</b>	<u>1,948,781</u>	<u>2,680,642</u>	<u>4,836,316</u>	<u>(206,893)</u>	<u>-</u>
<b>Total noncurrent liabilities governmental activities</b>	<u>\$10,173,139</u>	<u>\$12,678,231</u>	<u>\$13,065,414</u>	<u>\$9,785,956</u>	<u>\$691,882</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.

General obligation debt outstanding as of December 31, 2020 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>
<b>General obligation bonds</b>				
Series of 2020	1.50% - 5.00%	\$9,315,000	05/31/2032	<u>\$9,315,000</u>

#### General Obligation Bonds, Series of 2020

On December 1, 2020, the Township issued general obligation bonds, Series of 2020, in the amount of \$9,315,000, the proceeds of which were used to currently refund the remaining portion of the Township's general obligation notes, series of 2017, to finance various capital projects and to pay the cost of the issuance. The Township currently refunded the general obligation notes, Series of 2017 to reduce future debt service payments by \$206,964.

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>
2021	\$ 635,000	\$ 255,458	\$ 890,458
2022	645,000	248,125	893,125
2023	680,000	215,000	895,000
2024	710,000	180,250	890,250
2025	755,000	143,625	898,625
2026-2030	4,140,000	346,400	4,486,400
2031-2032	<u>1,750,000</u>	<u>35,200</u>	<u>1,785,200</u>
	<u>\$9,315,000</u>	<u>\$1,424,058</u>	<u>\$10,739,058</u>

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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#### (8) POLICE OTHER POST EMPLOYMENT RETIREMENT PLAN

The Upper 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, 2020:

Active employees	27
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>28</u>

##### **Funding Policy**

Member contributions are not required under the OPEB plan. The Township's contributions are funded on a pay-as-you-go-basis. The costs of administering the OPEB plan is paid by the Township.

##### **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 January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.00% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and 5.00% salary increases.

##### **Discount Rate**

The discount rate used to measure the total OPEB liability is 5.00% 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.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 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 9.70%. 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>
Domestic equity	34.00%	7.64% - 9.09%
International equity	10.00%	8.91% - 11.12%
Fixed income	50.00%	3.10% - 3.88%
Real estate	3.00%	8.07%
Alternative investments	3.00%	0.00%
Cash	<u>0.00%</u>	2.26%
Total	<u>100.00%</u>	

### Net OPEB Liability (Asset)

The Township's net OPEB liability (asset) has been measured as of December 31, 2020. 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 asset is \$25,034 measured as the difference between the total OPEB liability of \$1,430,197 and the fiduciary net position of \$1,455,231.

The Township's change in total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the year ended December 31, 2020 were as follows:

	<u>Total OPEB Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability (Asset) (A) - (B)</u>
<b>Balances as of December 31, 2019</b>	<u>\$1,301,966</u>	<u>\$1,371,056</u>	<u>\$ (69,090)</u>
<b>Changes for the year:</b>			
Service cost	60,127	-	60,127
Interest on total OPEB liability	67,703	-	67,703
Changes in benefit terms	-	-	-
Differences between expected and actual experience	16,480	-	16,480
Employer contributions	-	-	-
Net investment income	-	109,113	(109,113)
Benefit payments	(16,079)	(16,079)	-
Administrative expense	<u>-</u>	<u>(8,859)</u>	<u>8,859</u>
<b>Net changes</b>	<u>128,231</u>	<u>84,175</u>	<u>44,056</u>
<b>Balances as of December 31, 2020</b>	<u>\$1,430,197</u>	<u>\$1,455,231</u>	<u>\$ (25,034)</u>

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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#### **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, 2020, 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:

	<b><u>1% Decrease</u></b>	<b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
Net OPEB liability (asset)	<u>\$(230,747)</u>	<u>\$(25,034)</u>	<u>\$217,181</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 5.00%, 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 (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	<b><u>1% Decrease 4.00%</u></b>	<b><u>Current Discount Rate 5.00%</u></b>	<b><u>1% Increase 6.00%</u></b>
Net OPEB liability (asset)	<u>\$127,067</u>	<u>\$(25,034)</u>	<u>\$(166,302)</u>

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

For the year ended December 31, 2020, the Township recognized OPEB expense of \$73,319. At December 31, 2020, the Township had deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between expected and actual experience	\$51,536	\$ -
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>16,150</u>
	<u>\$51,536</u>	<u>\$16,150</u>

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

#### **Year ended December 31,**

2021	\$ 5,847
2022	5,847
2023	(6,476)
2024	(3,848)
2025	4,380
Thereafter	<u>29,636</u>
	<u>\$35,386</u>

#### **Actuarial Methods and Significant Assumptions**

- Actuarial cost method – entry age normal
- Investment return – 5.00%
- Inflation – 3.00%
- Salary increases – 5.00% per year



# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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- Assumed healthcare trends – 8.00% increase in the first year, decreasing by 1% per year to an ultimate rate of 5.00%
- Retirement age – Age 58 and 28 years of service
- Mortality rates – RP 2000 mortality tables (blue collar) with scale AA

### (9) EMPLOYEE RETIREMENT PLANS

#### **Police Pension Fund**

The Upper 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. The Police Pension Plan can be amended by the Township through its ordinances and union contracts. The Police Pension Plan is administered by a plan administrator appointed by the Board of Supervisors of the Township. The Police Pension 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 Police Pension Plan consisted of the following at December 31, 2020:

Active employees	27
Retirees and beneficiaries currently receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>34</u>

#### **Benefit Provisions**

Members are eligible for normal retirement after attainment of age 55 and 25 years of service and early retirement after 20 years of service. Normal retirement benefits are calculated as 50% of average compensation during employment reduced by a ratio of years of service at retirement.

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.

Members of the Police Pension Plan are 100% vested after 12 years of service.

#### **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. 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.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### 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 January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.50% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and 5.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 12 years.

### Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

### Rate of Return

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

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 13.17%. 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>
Equities	70.00%	4.63% - 8.19%
Fixed income	27.00%	0.68% - 2.86%
Cash	3.00%	(0.38%) - 1.80%
Total	<u>100.00%</u>	

### Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2020. 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 \$35,408 measured as the difference between the total pension liability of \$14,082,941 and the fiduciary net position of \$14,047,533.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2020 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
<b>Balances as of December 31, 2019</b>	<u>\$12,984,745</u>	<u>\$11,687,918</u>	<u>\$ 1,296,827</u>
<b>Changes for the year:</b>			
Service cost	512,109	-	512,109
Interest on total pension liability	1,000,343	-	1,000,343
Difference between expected and actual experience	(96,348)	-	(96,348)
Employer contributions	-	865,690	(865,690)
Member contributions	-	77,972	(77,972)
Net investment income	-	1,771,728	(1,771,728)
Benefit payments	(317,908)	(317,908)	-
Administrative expense	-	(37,867)	37,867
<b>Net changes</b>	<u>1,098,196</u>	<u>2,359,615</u>	<u>(1,261,419)</u>
<b>Balances as of December 31, 2020</b>	<u>\$14,082,941</u>	<u>\$14,047,533</u>	<u>\$ 35,408</u>

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

The following presents the net pension liability (asset) of the Township calculated using the discount rate 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net pension liability (asset)	<u>\$2,091,759</u>	<u>\$35,408</u>	<u>\$(1,665,914)</u>

### **Pension Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pension**

For the year ended December 31, 2020, the Township recognized pension expense of \$291,674. At December 31, 2020, 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	\$ 61,932	\$ 567,455
Changes in assumptions	223,577	-
Net difference between projected and actual earnings on pension plan investments	-	1,067,548
	<u>\$285,509</u>	<u>\$1,635,003</u>

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

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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**Year ended December 31,**

2021	\$ (316,970)
2022	(196,716)
2023	(462,813)
2024	(201,701)
2025	(27,663)
Thereafter	<u>(143,631)</u>
	<u><b>\$ (1,349,494)</b></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 60 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a monthly pension benefit.

**Actuarial Methods and Significant Assumptions**

- Actuarial cost method – entry age normal
- Investment return – 7.50%
- Inflation – 3.00%
- Salary increases – 5.00% per year
- Retirement age – Normal retirement age
- Mortality rates – RP 2000 mortality tables (blue collar) with scale AA

**Firefighters' Pension Fund**

The Upper Providence Township Firefighters' Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Firefighters' Pension Plan**") that covers all full-time uniformed firefighters of the Township. The Firefighters' Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Firefighters Pension Plan can be amended by the Township through its ordinances. The Firefighters Pension Plan is administered by a plan administrator appointed by the Board of Supervisors of the Township. The Firefighters Pension 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 Firefighters' Pension Plan consisted of the following at December 31, 2020:

Active employees	4
Retirees and beneficiaries currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u><b>5</b></u>

**Benefit Provisions**

Members are eligible for normal retirement after attainment of age 62 and early retirement after attainment of age 55 and 10 years of service. Normal retirement benefits are calculated as a monthly benefit of 2% of average monthly compensation averaged over the highest 36 months of employment, up to a maximum benefit of 50%.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to the accrued benefit at date of disablement payable following 6 months of disablement.

If a member dies prior to 10 years of service the surviving spouse is eligible for the actuarial present value of the vested benefit as of the date of death. After 10 years of service and prior to retirement the surviving spouse is eligible for 100% of the benefit the member would have been eligible for at date of death.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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Members of the Police Pension Plan are 100% vested after 10 years of service.

### **Basis of Accounting**

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

### **Administrative Costs**

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

### **Annual Pension Cost**

The annual required contribution was determined as part of the January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.25% percent investment rate of return (net of administrative costs) and (b) 2.75% inflation and 5.50% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 20 years.

### **Discount Rate**

The discount rate used to measure the total pension liability is 7.25%. The Firefighters' Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

### **Rate of Return**

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

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was 15.43%. 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:

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	60.00%	5.00% - 7.00%
Fixed income	37.00%	1.00% - 3.00%
Cash	3.00%	0.00% - 1.00%
Total	<u>100.00%</u>	

### Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2020. 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 asset is \$114,776 measured as the difference between the total pension liability of \$430,678 and the fiduciary net position of \$545,454.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2020 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
<b>Balances as of December 31, 2019</b>	<u>\$348,818</u>	<u>\$422,775</u>	<u>\$ (73,957)</u>
<b>Changes for the year:</b>			
Service cost	52,747	-	52,747
Interest on total pension liability	29,113	-	29,113
Difference between expected and actual experience	-	-	-
Employer contributions	-	57,083	(57,083)
Net investment income	-	73,073	(73,073)
Administrative expense	-	(7,477)	7,477
<b>Net changes</b>	<u>81,860</u>	<u>122,679</u>	<u>(40,819)</u>
<b>Balances as of December 31, 2020</b>	<u>\$430,678</u>	<u>\$545,454</u>	<u>\$(114,776)</u>

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

The following presents the net pension liability (asset) of the Township calculated using the discount rate 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net pension liability (asset)	<u>\$(13,659)</u>	<u>\$(114,776)</u>	<u>\$(194,832)</u>

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

For the year ended December 31, 2020, the Township recognized pension expense of \$40,097. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$ 63,957
Changes in assumptions	9,257	-
Net difference between projected and actual earnings on pension plan investments	-	44,124
	<u>\$9,257</u>	<u>\$108,081</u>

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

#### **Year ended December 31,**

2021	\$ (14,715)
2022	(11,678)
2023	(19,849)
2024	(10,986)
2025	(3,276)
Thereafter	<u>(38,320)</u>
	<u>\$ (98,824)</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 60 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**

- Actuarial cost method – entry age normal
- Investment return – 7.25%
- Inflation – 2.75%
- Salary increases – 5.50% per year
- Retirement age – Normal retirement age
- Mortality rates – RP 2014 mortality tables (blue collar)

#### **Nonuniform Pension Fund**

The Upper 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 2016. The Nonuniform Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Firefighters Pension Plan can be amended by the Township through its ordinances. The Nonuniform Pension Plan is administered by a plan administrator appointed by the Board of Supervisors of the Township. The Nonuniform Pension Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

# UPPER PROVIDENCE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### **Plan Membership**

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2020:

Active employees	15
Retirees and beneficiaries currently receiving benefits	20
Terminated plan members entitled to but not yet receiving benefits	<u>9</u>
Total	<u>44</u>

### **Benefit Provisions**

Members are eligible for normal retirement after attainment of age 62 and early retirement after attainment of age 55 and 10 years of service. Normal retirement benefits are calculated as a monthly benefit of 2% of average monthly compensation averaged over the highest 36 months of employment, up to a maximum benefit of 50%.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to the accrued benefit at date of disablement payable following 6 months of disablement.

If a member dies prior to 10 years of service the surviving spouse is eligible for the actuarial present value of the vested benefit as of the date of death. After 10 years of service and prior to retirement the surviving spouse is eligible for 100% of the benefit the member would have been eligible for at date of death.

Members of the Police Pension Plan are 100% vested after 10 years of service.

### **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. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

### **Administrative Costs**

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

### **Annual Pension Cost**

The annual required contribution was determined as part of the January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.25% percent investment rate of return (net of administrative costs) and (b) 2.75% inflation and 5.50% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 8 years.

### **Discount Rate**

The discount rate used to measure the total pension liability is 7.25%. 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.

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## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

#### 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 15.32%. 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>
Equities	60.00%	5.00% - 7.00%
Fixed Income	37.00%	1.00% - 3.00%
Cash	3.00%	0.00% - 1.00%
Total	<u>100.00%</u>	

#### Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2020. 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 asset is \$848,747 measured as the difference between the total pension liability of \$8,859,588 and the fiduciary net position of \$9,708,335.

The Township's change in total pension liability (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2020 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) - (B)</u>
<b>Balances as of December 31, 2019</b>	<u>\$8,397,998</u>	<u>\$8,333,610</u>	<u>\$ 64,388</u>
<b>Changes for the year:</b>			
Service cost	207,013	-	207,013
Interest on total pension liability	611,163	-	611,163
Differences between expected and actual experience	-	-	-
Employer contributions	-	447,930	(447,930)
Net investment income	-	1,316,562	(1,316,562)
Benefit payments	(356,586)	(356,586)	-
Administrative expense	-	(33,181)	33,181
<b>Net changes</b>	<u>461,590</u>	<u>1,374,725</u>	<u>(913,135)</u>
<b>Balances as of December 31, 2020</b>	<u>\$8,859,588</u>	<u>\$9,708,335</u>	<u>\$ (848,747)</u>

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

#### **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 7.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Net pension liability (asset)	<u>\$266,612</u>	<u>\$(848,747)</u>	<u>\$(1,789,517)</u>

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

For the year ended December 31, 2020, the Township recognized negative pension expense of \$71,895. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 416,364
Changes in assumptions	114,102	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>860,182</u>
	<u>\$114,102</u>	<u>\$1,276,546</u>

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

#### **Year ended December 31,**

2021	\$ (324,005)
2022	(212,305)
2023	(404,861)
2024	(221,273)
2025	-
Thereafter	<u>-</u>
	<u>\$(1,162,444)</u>

#### **Actuarial Methods and Significant Assumptions**

- Actuarial cost method – entry age normal
- Investment return – 7.25%
- Inflation – 2.75%
- Salary increases – 5.50% per year
- Retirement age – Normal retirement age
- Mortality rates – RP 2014 mortality tables

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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#### (10) DEFINED CONTRIBUTION PLAN

The Township sponsors a defined contribution pension plan (the "***Defined Contribution Plan***"). 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.

The Defined Contribution Plan covers all full-time nonuniform employees who were hired after 2015 and provides retirement benefits to plan members and their beneficiaries. The Board of Supervisors is authorized to establish and amend all plan provisions.

The Township contributes 10.00% of compensation and employees are not required to contribute to the Defined Contribution Plan. The Township contributed \$165,852 for the year ended December 31, 2020. Employees are eligible and fully vested in the Defined Contribution Plan upon employment. upon being eligible to enter the Defined Contribution Plan.

#### (11) 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.

#### (12) 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.

## UPPER PROVIDENCE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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#### **Property and Liability**

The Township, with other governmental entities from Pennsylvania, 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, 2020, 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, 2020, 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.

### **(13) NOTE RECEIVABLE**

In October 1999, the Township entered into an agreement to loan \$400,000 to a local fire company. The note receivable is to be repaid to the Township in 30 annual installments of \$13,333 with 0% interest. The balance of the note receivable was \$133,335 at December 31, 2021.

### **(14) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 4, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER PROVIDENCE TOWNSHIP****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended December 31, 2020

	<b><u>Original and Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Budget Positive (Negative)</u></b>
<b>REVENUES</b>			
Taxes			
Real estate taxes	\$ 2,539,500	\$ 2,649,684	\$ 110,184
Per capita taxes	1,500	368	(1,132)
Real estate transfer taxes	1,025,000	975,845	(49,155)
Earned income taxes	9,500,000	11,147,811	1,647,811
Local services taxes	<u>875,000</u>	<u>907,456</u>	<u>32,456</u>
<b>Total taxes</b>	13,941,000	15,681,164	1,740,164
Licenses and permits	595,250	613,873	18,623
Fines and forfeits	62,000	58,933	(3,067)
Interest, rents and royalties	213,500	139,363	(74,137)
Intergovernmental revenues	739,104	1,106,508	367,404
Charges for services	1,141,500	834,255	(307,245)
Contributions	-	845	845
Miscellaneous	<u>74,246</u>	<u>132,912</u>	<u>58,666</u>
<b>Total revenues</b>	<u>16,766,600</u>	<u>18,567,853</u>	<u>1,801,253</u>
<b>EXPENDITURES</b>			
Current			
General government	2,882,176	2,366,257	515,919
Public safety	10,087,262	9,313,765	773,497
Public works			
Highways and streets	3,439,311	2,865,629	573,682
Culture and recreation	1,022,645	808,894	213,751
Miscellaneous	218,171	22,750	195,421
Debt service	<u>-</u>	<u>790,000</u>	<u>(790,000)</u>
<b>Total expenditures</b>	<u>17,649,565</u>	<u>16,167,295</u>	<u>2,272,270</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(882,965)</u>	<u>2,400,558</u>	<u>4,073,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	890,000	100,639	(789,361)
Transfers out	<u>(4,121,435)</u>	<u>(4,438,229)</u>	<u>(316,794)</u>
<b>Total other financing sources (uses)</b>	<u>(3,231,435)</u>	<u>(4,337,590)</u>	<u>(1,106,155)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (4,114,400)</u>	<u>(1,937,032)</u>	<u>\$ 2,967,368</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>14,051,309</u>	
<b>End of year</b>		<u>\$ 12,114,277</u>	

# UPPER PROVIDENCE TOWNSHIP

## SCHEDULE OF CHANGES IN NET POLICE PENSION PLAN LIABILITY

Year ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 512,109	\$ 500,791	\$ 473,537	\$ 463,452
Interest on total pension liability	1,000,343	966,680	894,727	814,637
Differences between expected and actual experience	(96,348)	(578,361)	(23,237)	20,217
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(317,908)</u>	<u>(585,289)</u>	<u>(240,524)</u>	<u>(240,542)</u>
<b>Net change in total pension liability</b>	1,098,196	303,821	1,104,503	1,057,764
<b>Total pension liability, beginning</b>	<u>12,984,745</u>	<u>12,680,924</u>	<u>11,576,421</u>	<u>10,518,639</u>
<b>Total pension liability, ending</b>	<u>\$ 14,082,941</u>	<u>\$ 12,984,745</u>	<u>\$ 12,680,924</u>	<u>\$ 11,576,403</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 865,690	\$ 701,000	\$ 829,078	\$ 572,772
Employee contributions	77,972	69,940	-	9,734
Net investment income	1,771,728	2,024,858	(593,129)	1,215,081
Benefit payments	(317,908)	(585,289)	(240,524)	(240,524)
Administrative expense	(37,867)	(37,866)	(34,818)	(30,868)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	2,359,615	2,172,643	(39,393)	1,526,195
<b>Fiduciary net position, beginning</b>	<u>11,687,918</u>	<u>9,515,275</u>	<u>9,554,668</u>	<u>8,028,473</u>
<b>Fiduciary net position, ending</b>	<u>\$ 14,047,533</u>	<u>\$ 11,687,918</u>	<u>\$ 9,515,275</u>	<u>\$ 9,554,668</u>
<b>Net pension liability (asset), ending</b>	<u>\$ 35,408</u>	<u>\$ 1,296,827</u>	<u>\$ 3,165,649</u>	<u>\$ 2,021,735</u>
<b>Fiduciary net position as a % of total pension liability</b>	99.75%	90.01%	75.04%	82.54%
<b>Covered payroll</b>	3,451,727	3,375,636	3,241,642	3,177,170
<b>Net pension liability (asset) as a % of covered payroll</b>	1.03%	38.42%	97.66%	63.63%

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.

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<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 396,226	\$ 387,825	\$ 284,568
744,946	652,652	615,930
37,499	49,856	108,805
-	421,577	-
<u>(392,847)</u>	<u>(186,598)</u>	<u>(656,573)</u>
785,824	1,325,312	352,730
<u>9,732,815</u>	<u>8,407,503</u>	<u>8,054,773</u>
<u>\$ 10,518,639</u>	<u>\$ 9,732,815</u>	<u>\$ 8,407,503</u>
\$ 550,812	\$ 572,828	\$ 455,099
-	-	-
391,914	(197,384)	96,167
(392,847)	(186,598)	(656,573)
(21,165)	(12,150)	(9,425)
<u>-</u>	<u>-</u>	<u>(20,828)</u>
528,714	176,696	(135,560)
<u>7,499,759</u>	<u>7,323,063</u>	<u>7,458,623</u>
<u>\$ 8,028,473</u>	<u>\$ 7,499,759</u>	<u>\$ 7,323,063</u>
<u>\$ 2,490,166</u>	<u>\$ 2,233,056</u>	<u>\$ 1,084,440</u>
76.33%	77.06%	87.10%
2,871,440	2,632,396	2,142,334
86.72%	84.83%	50.62%

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## UPPER PROVIDENCE TOWNSHIP

### SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS

Year ended December 31,

<b>Fiscal Year Ended December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	\$ 455,099	\$ 455,099	\$ -	\$ 2,142,334	21.24%
2015	472,828	572,828	(100,000)	2,632,398	21.76%
2016	501,532	550,812	(49,280)	2,871,440	19.18%
2017	572,772	572,772	-	3,177,170	18.03%
2018	736,721	829,078	(92,357)	3,241,642	25.58%
2019	691,571	770,940	(79,369)	3,375,636	22.84%
2020	793,813	865,690	(71,877)	3,451,727	25.08%

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.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS

Year ended December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment return	<u>13.17%</u>	<u>21.19%</u>	<u>-6.41%</u>	<u>15.04%</u>	<u>5.20%</u>	<u>-1.75%</u>	<u>1.22%</u>

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.

# UPPER PROVIDENCE TOWNSHIP

## SCHEDULE OF CHANGES IN NET FIREFIGHTERS' PENSION PLAN LIABILITY

Year ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 52,747	\$ 49,997	\$ 48,190	\$ 45,678
Interest on total pension liability	29,113	23,580	22,747	17,951
Differences between expected and actual experience	-	(71,617)	-	-
Changes of assumptions	-	10,365	-	-
Benefit payments, including refunds of member contributions	-	-	-	-
<b>Net change in total pension liability</b>	<u>81,860</u>	<u>12,325</u>	<u>70,937</u>	<u>63,629</u>
<b>Total pension liability, beginning</b>	<u>348,818</u>	<u>336,493</u>	<u>265,556</u>	<u>201,927</u>
<b>Total pension liability, ending</b>	<u>\$ 430,678</u>	<u>\$ 348,818</u>	<u>\$ 336,493</u>	<u>\$ 265,556</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 57,083	\$ 95,883	\$ 59,027	\$ 43,053
Net investment income	73,073	67,665	(20,195)	28,540
Administrative expense	<u>(7,477)</u>	<u>(3,285)</u>	<u>(6,753)</u>	<u>(1,283)</u>
<b>Net change in plan fiduciary net position</b>	<u>122,679</u>	<u>160,263</u>	<u>32,079</u>	<u>70,310</u>
<b>Fiduciary net position, beginning</b>	<u>422,775</u>	<u>262,512</u>	<u>230,433</u>	<u>160,123</u>
<b>Fiduciary net position, ending</b>	<u>\$ 545,454</u>	<u>\$ 422,775</u>	<u>\$ 262,512</u>	<u>\$ 230,433</u>
<b>Net pension liability (asset), ending</b>	<u>\$ (114,776)</u>	<u>\$ (73,957)</u>	<u>\$ 73,981</u>	<u>\$ 35,123</u>
<b>Fiduciary net position as a % of total pension liability</b>	126.65%	121.20%	78.01%	86.77%
<b>Covered payroll</b>	344,093	332,489	311,912	351,928
<b>Net pension liability (asset) as a % of covered payroll</b>	-33.36%	-22.24%	23.72%	9.98%

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.

## UPPER PROVIDENCE TOWNSHIP

### SCHEDULE OF FIREFIGHTERS' PENSION PLAN CONTRIBUTIONS

Year ended December 31,

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<b>Fiscal Year Ended December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2017	\$ 38,053	\$ 43,053	\$ (5,000)	\$ 351,928	12.23%
2018	56,306	59,027	(2,721)	311,312	18.96%
2019	49,701	95,883	(46,182)	332,489	28.84%
2020	52,083	57,083	(5,000)	344,093	16.59%

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.

## UPPER PROVIDENCE TOWNSHIP

### *SCHEDULE OF FIREFIGHTERS' PENSION PLAN INVESTMENT RETURNS*

Year ended December 31,

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment return	<u>15.43%</u>	<u>21.54%</u>	<u>-7.64%</u>	<u>16.20%</u>

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.

# UPPER PROVIDENCE TOWNSHIP

## SCHEDULE OF CHANGES IN NET NON-UNIFORMED EMPLOYEES' PENSION PLAN LIABILITY

Year ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 207,013	\$ 196,221	\$ 244,178	\$ 231,448
Interest on total pension liability	611,163	581,651	593,557	555,741
Differences between expected and actual experience	-	(581,629)	-	(28,083)
Changes of assumptions	-	-	-	244,506
Benefit payments, including refunds of member contributions	<u>(356,586)</u>	<u>(405,741)</u>	<u>(340,159)</u>	<u>(218,592)</u>
<b>Net change in total pension liability</b>	461,590	(209,498)	497,576	785,020
<b>Total pension liability, beginning</b>	<u>8,397,998</u>	<u>8,607,496</u>	<u>8,109,920</u>	<u>7,324,900</u>
<b>Total pension liability, ending</b>	<u>\$ 8,859,588</u>	<u>\$ 8,397,998</u>	<u>\$ 8,607,496</u>	<u>\$ 8,109,920</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 447,930	\$ 475,000	\$ 508,000	\$ 462,171
Net investment income	1,316,562	1,501,396	(450,705)	972,722
Benefit payments, including refunds of member contributions	<u>(356,586)</u>	<u>(405,741)</u>	<u>(340,159)</u>	<u>(218,592)</u>
Administrative expense	<u>(33,181)</u>	<u>(26,429)</u>	<u>(32,182)</u>	<u>(24,753)</u>
<b>Net change in plan fiduciary net position</b>	1,374,725	1,544,226	(315,046)	1,191,548
<b>Fiduciary net position, beginning</b>	<u>8,333,610</u>	<u>6,789,384</u>	<u>7,104,430</u>	<u>5,912,882</u>
<b>Fiduciary net position, ending</b>	<u>\$ 9,708,335</u>	<u>\$ 8,333,610</u>	<u>\$ 6,789,384</u>	<u>\$ 7,104,430</u>
<b>Net pension liability (asset), ending</b>	<u>\$ (848,747)</u>	<u>\$ 64,388</u>	<u>\$ 1,818,112</u>	<u>\$ 1,005,490</u>
<b>Fiduciary net position as a % of total pension liability</b>	109.58%	99.23%	78.88%	87.60%
<b>Covered payroll</b>	1,271,381	1,236,553	1,452,267	1,466,467
<b>Net pension liability (asset) as a % of covered payroll</b>	-66.76%	5.21%	125.19%	68.57%

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.

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<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
\$ 208,048	\$ 210,528	\$ 231,604
519,184	484,522	451,078
-	(77,520)	-
-	-	-
<u>(301,754)</u>	<u>(130,184)</u>	<u>(115,673)</u>
425,478	487,346	567,009
<u>7,101,349</u>	<u>6,614,003</u>	<u>6,046,994</u>
<u>\$ 7,526,827</u>	<u>\$ 7,101,349</u>	<u>\$ 6,614,003</u>
\$ 518,487	\$ 578,071	\$ 503,231
288,734	(46,128)	283,402
(301,754)	(130,184)	(115,673)
<u>(33,832)</u>	<u>(39,303)</u>	<u>(29,410)</u>
471,635	362,456	641,550
<u>5,601,370</u>	<u>5,238,914</u>	<u>4,597,364</u>
<u>\$ 6,073,005</u>	<u>\$ 5,601,370</u>	<u>\$ 5,238,914</u>
<u>\$ 1,453,822</u>	<u>\$ 1,499,979</u>	<u>\$ 1,375,089</u>
80.68%	78.88%	79.21%
2,145,038	2,305,168	1,968,721
67.78%	65.07%	69.85%

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## UPPER PROVIDENCE TOWNSHIP

### SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN CONTRIBUTIONS

Year ended December 31,

<b>Fiscal Year Ended December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2014	\$ 503,231	\$ 503,231	\$ -	\$ 1,968,721	25.56%
2015	478,071	578,071	(100,000)	2,305,168	25.08%
2016	478,988	518,487	(39,499)	2,145,038	24.17%
2017	432,169	462,171	(30,002)	1,466,467	31.52%
2018	383,181	508,000	(124,819)	1,452,267	34.98%
2019	466,733	475,000	(8,267)	1,236,553	38.41%
2020	422,929	447,930	(25,001)	1,271,381	35.23%

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.



**UPPER PROVIDENCE TOWNSHIP**

***SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN INVESTMENT RETURNS***

<b><u>Year ended December 31,</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Annual money-weighted rate of return, net of investment return	<u>15.32%</u>	<u>21.48%</u>	<u>-8.36%</u>	<u>16.09%</u>	<u>5.20%</u>	<u>-0.82%</u>	<u>6.14%</u>

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.

# UPPER PROVIDENCE TOWNSHIP

## SCHEDULE OF CHANGES IN POLICE OPEB PLAN LIABILITY

Year ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 60,127	\$ 59,580	\$ 57,437	\$ 57,076
Interest on total pension liability	67,703	62,571	57,616	55,959
Differences between expected and actual experience	16,480	3,312	41,773	(26,678)
Benefits	<u>(16,079)</u>	<u>(30,655)</u>	<u>(89,120)</u>	<u>(18,006)</u>
<b>Net change in total pension liability</b>	128,231	94,808	67,706	68,351
<b>Total pension liability, beginning</b>	<u>1,301,966</u>	<u>1,207,158</u>	<u>1,139,452</u>	<u>1,071,101</u>
<b>Total pension liability, ending</b>	<u>\$ 1,430,197</u>	<u>\$ 1,301,966</u>	<u>\$ 1,207,158</u>	<u>\$ 1,139,452</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ -	\$ -	\$ 533,700	\$ -
Net investment income	109,113	78,658	(5,601)	102,557
Benefit payments, including refunds of member contributions	(16,079)	(30,655)	(89,120)	(18,006)
Administrative expense	<u>(8,859)</u>	<u>(4,993)</u>	<u>(17,896)</u>	<u>(7,954)</u>
<b>Net change in plan fiduciary net position</b>	84,175	43,010	421,083	76,597
<b>Fiduciary net position, beginning</b>	<u>1,371,056</u>	<u>1,328,046</u>	<u>906,963</u>	<u>830,366</u>
<b>Fiduciary net position, ending</b>	<u>\$ 1,455,231</u>	<u>\$ 1,371,056</u>	<u>\$ 1,328,046</u>	<u>\$ 906,963</u>
<b>Net pension liability (asset), ending</b>	<u>\$ (25,034)</u>	<u>\$ (69,090)</u>	<u>\$ (120,888)</u>	<u>\$ 232,489</u>
<b>Fiduciary net position as a % of total pension liability</b>	101.75%	105.31%	110.01%	79.60%
<b>Covered payroll</b>	3,451,727	3,375,636	3,214,892	3,273,522
<b>Net pension liability (asset) as a % of covered payroll</b>	-0.73%	-2.05%	-3.76%	7.10%

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.

## UPPER PROVIDENCE TOWNSHIP

### SCHEDULE OF POLICE OPEB PLAN CONTRIBUTIONS

Year ended December 31,

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<b>Fiscal Year Ended December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2017	\$ -	\$ -	\$ -	\$ 3,273,522	0.00%
2018	-	533,700	(533,700)	3,214,892	16.60%
2019	52,954	-	52,954	3,375,636	0.00%
2020	-	-	-	3,451,727	0.00%

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.

## UPPER PROVIDENCE TOWNSHIP

### *SCHEDULE OF POLICE OPEB PLAN INVESTMENT RETURNS*

Year ended December 31,

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment return	<u>9.70%</u>	<u>8.59%</u>	<u>-2.22%</u>	<u>12.12%</u>

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.