

**UPPER PROVIDENCE TOWNSHIP**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2019*

## **INTRODUCTORY SECTION**

# UPPER PROVIDENCE TOWNSHIP

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YEAR ENDED DECEMBER 31, 2019

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# UPPER PROVIDENCE TOWNSHIP

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Members of the 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 as of and for the year ended December 31, 2019, 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***

Upper Providence Township's 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.

### ***Auditors' 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 auditors' 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 as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Members of the Board of Supervisors  
Upper Providence Township  
Oaks, Pennsylvania

***Emphasis of Matter***

As discussed in Note O, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Upper Providence Township's operational and financial performance. At this point, Upper Providence Township cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 19, budgetary comparison information on pages 68 and 69, pension plan information on pages 70 through 78 and postemployment benefits other than pension information on pages 79 through 81 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.

*Maillie LLP*

Limerick, Pennsylvania  
June 10, 2021

## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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Our discussion and analysis for Upper Providence Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

#### FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities by \$91,017,141 (net position).
- The Township's total net position increased by \$1,017,896.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position.

Management's discussion and analysis (MD&A), prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

- The *statement of net position* focuses on resources available for future operations. This statement presents a snapshot view of the assets the Township owns, the liabilities it owes and the net difference.
- The *statement of activities* focuses on gross and net costs of Township programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- *Fund financial statements* focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns.

## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Township's Sewer Operating Fund and can be found in more detail beginning with the Statement of Net Position, Proprietary Funds. Fiduciary Funds are used to account for resources for the Police, Firefighters' and Non-Uniformed Pension Plans as well as the Township's Post-Retirement Health Benefit Fund. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.

- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

Required Supplementary Information (RSI) is additional information consisting of budgetary comparisons for the General Fund and Parks and Recreation Fund, as well as the required schedules of funding progress for the pension and post-retirement health benefits.

## REPORTING THE TOWNSHIP AS A WHOLE

### Statistics

Tables of statistics provide information about real estate tax rates by jurisdiction for the last ten years. Upper Providence Township eliminated the real estate tax in the year 2001, and it was not increased from zero mills until 2017. Also listed are General Fund tax revenues by source, property tax levies and collections, assessed and estimated actual values of taxable property and the Township's ten largest employers.

### Statement of Net Position and Statement of Activities

Our analysis of the Township as a whole begins with the statement of net position. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. In these statements, we divide the Township into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including police, public works, safety and codes, parks and recreation and administration. Real estate transfer and earned income taxes, fees and charges and grants finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to customers to help it cover most of the cost of certain services it provides. The Township's sewer system is reported here.

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities, with comparative data from the fiscal year 2018.

# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

**Table 1**

### Statements of Net Position

*Years Ended December 31, 2018 and 2019*

	Governmental Activities	
	2018	2019
ASSETS		
Cash and investments	\$ 13,506,728	\$ 20,686,227
Other assets	3,005,378	3,214,990
Internal balances	(3,662,541)	(3,135,010)
Capital assets	58,089,993	56,812,879
TOTAL ASSETS	<u>70,939,558</u>	<u>77,579,086</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources, pension activity	2,107,073	364,932
Deferred outflows of resources, OPEB activity	88,348	49,904
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,195,421</u>	<u>414,836</u>
LIABILITIES		
Other liabilities	2,019,326	2,186,040
Net pension liability	5,057,742	1,287,258
Long-term debt outstanding	2,058,571	8,224,358
TOTAL LIABILITIES	<u>9,135,639</u>	<u>11,697,656</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources, pension activity	77,926	1,747,488
Deferred inflows of resources, OPEB activity	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>77,926</u>	<u>1,747,488</u>
NET POSITION		
Net investment in capital assets	56,031,422	48,588,521
Restricted	843,503	892,083
Unrestricted	7,046,489	15,068,174
TOTAL NET POSITION	<u>\$ 63,921,414</u>	<u>\$ 64,548,778</u>

Cash and investments represent 26.67% of Upper Providence Township's total governmental assets.

By far the largest portion of the Township's governmental assets, 73.23%, reflects its investment in capital assets (e.g., land, buildings, streets, recreation equipment). The Township uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

Assets in the business-type activities column reflect the Township's investment in its sewer system. The Township operates and maintains two pumping stations and 121 miles of sewer lines. The \$14.3 million in cash and investments allows for future investment in the sewer facilities.

Accumulated depreciation reflects 49.01% of total capital assets for governmental activities and 50.30% of total capital assets for business-type activities. The percentage rates reflect the Township's continued commitment to provide services through effective and efficient use of resources.

Total change in net position is \$627,364 for governmental activities and \$390,532 for business-type activities.

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Business-Type Activities		Total Primary Government		Total Percentage Change 2018 to 2019
2018	2019	2018	2019	
\$ 15,360,740	\$ 14,330,798	\$ 28,867,468	\$ 35,017,025	21.30%
119,979	1,234,949	3,125,357	4,449,939	42.38%
3,662,541	3,135,010	-	-	0.00%
6,934,571	8,123,383	65,024,564	64,936,262	-0.14%
<u>26,077,831</u>	<u>26,824,140</u>	<u>97,017,389</u>	<u>104,403,226</u>	7.61%
-	-	2,107,073	364,932	-82.68%
-	-	88,348	49,904	0.00%
<u>-</u>	<u>-</u>	<u>2,195,421</u>	<u>414,836</u>	-82.68%
-	355,777	2,019,326	2,541,817	25.87%
-	-	5,057,742	1,287,258	-74.55%
-	-	2,058,571	8,224,358	0.00%
<u>-</u>	<u>355,777</u>	<u>9,135,639</u>	<u>12,053,433</u>	31.94%
-	-	77,926	1,747,488	2142.50%
-	-	-	-	0.00%
<u>-</u>	<u>-</u>	<u>77,926</u>	<u>1,747,488</u>	2142.50%
6,934,571	8,123,383	62,965,993	56,711,904	-9.93%
16,558,957	14,602,308	17,402,460	15,494,391	-10.96%
2,584,303	3,742,672	9,630,792	18,810,846	95.32%
<u>\$ 26,077,831</u>	<u>\$ 26,468,363</u>	<u>\$ 89,999,245</u>	<u>\$ 91,017,141</u>	1.13%

## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

#### Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenues and transfers for governmental activities for fiscal year 2019 were \$20,701,072. Revenues and transfers by source were as follows:

	<u>Amount</u>	<u>Percent of Total</u>
REVENUES AND TRANSFERS		
Real estate taxes	\$ 2,610,912	12.61%
Per capita taxes	1,557	0.01%
Real estate transfer taxes	1,224,961	5.92%
Earned income taxes	10,882,032	52.57%
Local services tax	957,718	4.63%
Special assessments	57,301	0.28%
Franchise tax	565,648	2.73%
Public realty tax and licenses	13,921	0.07%
Interest income	454,009	2.19%
Gain on sale of capital assets	6,500	0.03%
Interfund transfers, net	75,000	0.36%
Miscellaneous	443,183	2.14%
Charges for services	1,287,983	6.22%
Operating grants and contributions	879,361	4.25%
Capital grants and contributions	1,240,986	5.99%
TOTAL	\$ <u>20,701,072</u>	<u>100.00%</u>

The Township's governmental programs are broken down into six main cost centers, including general government, public safety, health and welfare, sanitation, highways and streets and culture and recreation. Total expenditures for fiscal year 2019 were \$20,073,708. Expenditures by source were as follows:

	<u>Amount</u>	<u>Percent of Total</u>
EXPENDITURES		
General government	\$ 2,317,564	11.55%
Public safety	9,060,573	45.14%
Public works		
Sanitation	108,263	0.54%
Highways and streets	3,975,297	19.80%
Culture and recreation	882,988	4.40%
Interest on long-term debt	154,955	0.77%
Depreciation (unallocated)	3,476,992	17.32%
Miscellaneous	97,076	0.48%
TOTAL	\$ <u>20,073,708</u>	<u>100.00%</u>

# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

**Table 2**

### Changes in Net Position

*Years Ended December 31, 2018 and 2019*

	Governmental Activities	
	2018	2019
REVENUES		
Program revenues		
Charges for services	\$ 1,887,050	\$ 1,287,983
Operating grants and contributions	806,032	879,361
Capital grants and contributions	1,083,867	1,240,986
General revenues		
Real estate taxes	2,646,795	2,610,912
Per capita taxes	1,400	1,557
Real estate transfer taxes	1,331,704	1,224,961
Earned income taxes	10,460,555	10,882,032
Local services tax	938,570	957,718
Special assessments	50,203	57,301
Franchise tax	552,141	565,648
Public realty tax and licenses	14,640	13,921
Interest income	273,343	454,009
Gain on sale of capital assets	52,513	6,500
Interfund transfers, net	98,000	75,000
Miscellaneous	234,162	443,183
TOTAL REVENUES	20,430,975	20,701,072
EXPENSES		
General government	1,729,919	2,317,564
Public safety	8,905,105	9,060,573
Public works		
Sanitation	105,137	108,263
Highways and streets	3,945,838	3,975,297
Culture and recreation	960,414	882,988
Interest on long-term debt	16,284	154,955
Depreciation (unallocated)	3,075,919	3,476,992
Miscellaneous	27,650	97,076
Sewer	-	-
TOTAL EXPENSES	18,766,266	20,073,708
CHANGE IN NET POSITION	1,664,709	627,364
NET POSITION, BEGINNING, restated	62,256,705	63,921,414
NET POSITION, ENDING	\$ 63,921,414	\$ 64,548,778

Business-Type Activities		Total Primary Government		Total Percentage Change 2018 to 2019
2018	2019	2018	2019	
\$ 2,824,971	\$ 3,934,212	\$ 4,712,021	\$ 5,222,195	10.83%
-	-	806,032	879,361	9.10%
-	-	1,083,867	1,240,986	14.50%
-	-	2,646,795	2,610,912	-1.36%
-	-	1,400	1,557	11.21%
-	-	1,331,704	1,224,961	-8.02%
-	-	10,460,555	10,882,032	4.03%
-	-	938,570	957,718	2.04%
-	-	50,203	57,301	14.14%
-	-	552,141	565,648	2.45%
-	-	14,640	13,921	-4.91%
276,897	397,402	550,240	851,411	54.73%
-	-	52,513	6,500	-87.62%
(248,000)	(75,000)	(150,000)	-	0.00%
151,200	1,339	385,362	444,522	15.35%
<u>3,005,068</u>	<u>4,257,953</u>	<u>23,436,043</u>	<u>24,959,025</u>	6.50%
-	-	1,729,919	2,317,564	33.97%
-	-	8,905,105	9,060,573	1.75%
-	-	105,137	108,263	2.97%
-	-	3,945,838	3,975,297	0.75%
-	-	960,414	882,988	-8.06%
-	-	16,284	154,955	851.58%
-	-	3,075,919	3,476,992	13.04%
-	-	27,650	97,076	251.09%
3,081,046	3,867,421	3,081,046	3,867,421	25.52%
<u>3,081,046</u>	<u>3,867,421</u>	<u>21,847,312</u>	<u>23,941,129</u>	9.58%
(75,978)	390,532	1,588,731	1,017,896	35.93%
<u>26,153,809</u>	<u>26,077,831</u>	<u>88,410,514</u>	<u>89,999,245</u>	1.80%
\$ <u>26,077,831</u>	\$ <u>26,468,363</u>	\$ <u>89,999,245</u>	\$ <u>91,017,141</u>	1.13%

## **UPPER PROVIDENCE TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2019**

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#### **Culture and Recreation Highlights**

In June 2011, the Township completed the Recreation Center at Anderson Farm Park. The Township Community Center has been open since 2011 and includes a gym, fitness center, conference rooms and various other facilities. Recreational programs continue to be expanded at the center. The annual Community Day provided fireworks and fun for all age groups and was a huge success as always.

#### **General Fund Budgetary Highlights**

Development continues at the Township, but at a slower rate than prior years. Thus far, this slowing of development has not had an adverse effect on the Township's earned income tax revenues due to the increase of job opportunities.

The large shopping area on Route 29 and Arcola Road (Providence Town Center) in the Township will continue to create a need for additional public safety, which serves residents as well as commercial establishments.

#### **Business-Type Activities**

Business-type activities comprise the Township's sewer system. Total revenue from this activity is \$4,257,953 (see changes in Business-Type Activities). Charges for services account for 92.40% of revenue. Quarterly sewer rental rates were \$19.50 since 1967, increased to \$25.00 per quarter on July 1, 2002, increased to \$45.00 per quarter in 2008, increased to \$48.50 per quarter in 2013, and increased to \$75.00 in 2019. The low rates were primarily due to a 40-year set contract with the Montgomery County Sewer Authority. In 2002, there was a takeover of ownership and operations of the Oaks Regional Sewage Treatment Plant by the Lower Perkiomen Valley Regional Sewer Authority (LPVRS), which has six members (including Upper Providence Township).

The fee increase was necessary to accommodate a planned expansion of the plant, as well as the increasing costs of operation due to stringent State and Federal mandates which resulted in the requirement for new and expensive technology. In addition, each municipality is responsible for ongoing maintenance and operation of its own collection system, including lines and pump stations.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

Upper Providence Township's investment in capital assets for its governmental and business-type activities as of December 31, 2019, totals \$64,936,262 (net of accumulated depreciation). Township investment in capital assets includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, bridges, stormwater and sewer lines and traffic signals.

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**Table 3**  
**Capital Assets at Year-End (Including Additions)**  
**Year Ended December 31, 2019**

	Balance at December 31, 2018	Net Additions	Balance at December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>			
Capital assets not being depreciated			
Land	\$ 9,869,073	\$ -	\$ 9,869,073
Capital assets being depreciated			
Land improvements	4,466,262	202,982	4,669,244
Infrastructure	61,708,406	554,006	62,262,412
Automobiles	5,586,877	419,551	6,006,428
Building and improvements	22,348,474	700,923	23,049,397
Equipment, furniture and fixtures	5,234,692	322,416	5,557,108
	<u>99,344,711</u>	<u>2,199,878</u>	<u>101,544,589</u>
Accumulated depreciation	(51,123,791)	(3,476,992)	(54,600,783)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>48,220,920</u>	<u>(1,277,114)</u>	<u>46,943,806</u>
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	<u>58,089,993</u>	<u>(1,277,114)</u>	<u>56,812,879</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Capital assets being depreciated			
Sewage system	14,696,045	1,648,806	16,344,851
Accumulated depreciation	(7,761,474)	(459,994)	(8,221,468)
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS	<u>6,934,571</u>	<u>1,188,812</u>	<u>8,123,383</u>
CAPITAL ASSETS, net	<u>\$ 65,024,564</u>	<u>\$ (88,302)</u>	<u>\$ 64,936,262</u>

Property, plant, system infrastructure and equipment of the primary government are depreciated using the straight-line method.

The Township began construction on a new police administration building in 2014 and the Police Department officially moved into their new building on June 1, 2015. The new building is 12,000 square feet and includes training rooms, a forensic processing room and training facilities. The new building allowed the Police Department to become accredited on September 15, 2017 by the Pennsylvania Chiefs of Police Association.

Additional information on the Township's capital assets can be found in Notes A and D to the financial statements.

**Debt**

The Township had outstanding debt at December 31, 2018 and 2019 of \$2,058,571 and \$8,224,358, respectively. The Township issued the 2017 General Obligation Note in March of 2017 in the amount of \$10,000,000.

## **UPPER PROVIDENCE TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2019**

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

##### **Economic Factors**

Upper Providence Township services an area of 18.2 square miles and a community of 21,219 residents (2010 census). Located along the Route 422 corridor in Montgomery County, Upper Providence Township has been one of the fastest growing communities in Pennsylvania for the last 16 years.

From 1990 to 2010, job growth rose 226% in Upper Providence to 14,674 jobs. 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. Combined, these companies employ nearly 175,000 people worldwide.

At the same time, the population grew 37% to 21,219 in 2010 over 2000. 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 2001/02. 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.

Collections of the earned income taxes are also a good indicator of local economic conditions. For 2019, the Township's collection of these taxes was \$10,882,032.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for funds it receives and disburses. If you have questions about this report or to request additional finance information (to include component units), please contact the Director of Finance at 1286 Black Rock Road, Phoenixville, PA 19460.

## UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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**Table 4**

**General Fund Tax Revenues by Source**

**Budget Basis (Unaudited)**

**Last Ten Fiscal Years**

<u>Year</u>	<u>Property (1)</u>	<u>Property Transfer</u>	<u>Earned Income Tax</u>	<u>Per Capita Tax (2)</u>	<u>Local Services Tax</u>	<u>Total Tax Revenues</u>
2010	-	565,763	7,081,082	62,128	651,986	8,360,959
2011	-	601,384	6,628,109	62,454	702,463	7,994,410
2012	-	670,343	7,055,931	61,023	628,091	8,415,388
2013	-	1,022,833	7,847,803	68,435	649,105	9,588,176
2014	-	1,130,984	7,911,333	56,931	889,491	9,988,739
2015	-	1,092,852	8,303,081	55,413	774,907	10,226,253
2016	-	1,201,277	8,762,533	115,589	837,443	10,916,842
2017	2,566,557	1,437,719	9,351,033	11,060	946,208	14,312,577
2018	2,646,795	1,331,704	10,460,555	1,400	938,570	15,379,024
2019	2,610,912	1,224,961	10,882,032	1,557	957,718	15,677,180

NOTES:

- (1) Current, prior, delinquent and interim property (real estate) taxes. During the period 2010 through 2016 no tax was due because the millage rate was zero.
- (2) The per capita tax was eliminated in 2017.

Source: Upper Providence Township Financial Statements

# UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

**Table 5**  
**Property Tax Levies and Collections (Unaudited)**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>(1) Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
2010	-	-	N/A	-	-	N/A	-	N/A
2011	-	-	N/A	-	-	N/A	-	N/A
2012	-	-	N/A	-	-	N/A	-	N/A
2013	-	-	N/A	-	-	N/A	-	N/A
2014	-	-	N/A	-	-	N/A	-	N/A
2015	-	-	N/A	-	-	N/A	-	N/A
2016	-	-	N/A	-	-	N/A	-	N/A
2017	1.2 Mills	2,546,622	99%	-	2,546,622	99%	21,318	1%
2018	1.2 Mills	2,630,071	99%	16,724	2,646,795	99%	21,822	1%
2019	1.2 Mills	2,608,213	99%	17,168	2,625,381	99%	24,492	1%

## NOTES:

(1) Includes all Township millage. During the period 2010 through 2016 no tax was due because the millage rate was zero.

Source: Upper Providence Township Real Estate Tax Collector  
Upper Providence Township Finance Department

## UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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**Table 6**  
**Assessed and Estimated Actual Value of Taxable Property (Unaudited)**  
**Last Ten Fiscal Years**

Year	Estimated Actual Value	Assessed Value	Ratio of Total Assessed to Total Estimated Actual Value (1)
2010	2,041,449,590	2,041,449,590	100.0
2011	1,955,568,835	1,955,568,835	100.0
2012	1,984,400,565	1,984,400,565	100.0
2013	2,026,313,185	2,026,313,185	100.0
2014	2,067,307,175	2,067,307,175	100.0
2015	2,128,084,006	2,128,084,006	100.0
2016	2,166,501,551	2,166,501,551	100.0
2017	2,165,419,166	2,165,419,166	100.0
2018	2,232,807,419	2,232,807,419	100.0
2019	2,267,113,889	2,267,113,889	100.0

NOTES:

- (1) Common level ratio published by the PA State Tax Equalization Board.
- (2) The last county-wide reassessment was conducted in 1998.

Source: Montgomery County Board of Assessment Appeals

## UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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**Table 7**  
**Property Tax Rates**  
**Direct and Overlapping Governments (Unaudited)**  
**Last Ten Fiscal Years**

Upper Providence Township has a uniform millage for all residents and businesses. There are two overlapping jurisdictions that also levy a real estate tax based on assessed value compiled by Montgomery County. These jurisdictions are the Spring Ford Area School District and Montgomery County.

Year	Upper Providence Township	Spring-Ford Area School District	Montgomery County	Total Millage
2010	0.00	23.53	2.89	26.42
2011	0.00	24.29	3.15	27.44
2012	0.00	24.77	3.15	27.92
2013	0.00	25.25	3.15	28.40
2014	0.00	26.02	3.15	29.17
2015	0.00	26.06	3.15	29.21
2016	0.00	26.24	3.46	29.70
2017	1.20	26.24	3.85	31.29
2018	1.20	26.86	3.85	31.91
2019	1.20	27.48	3.85	32.53

### NOTES:

(1) A county-wide reassessment was conducted in 1998. The previous reassessment was completed in 1970.

Source: Upper Providence Township Real Estate Tax Collector

## UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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**Table 8**  
**Ten Largest Employers (Unaudited)**  
**2019**

	<u>Business Name</u>	<u>Type of Business</u>	<u>Employees</u>
1)	SEI Investments	Investments	3,108
2)	GlaxoSmithKline LLC	Pharmaceutical	3,061
3)	Wyeth Holdings Corporation	Pharmaceutical	2,044
4)	Wegman's Food Market	Grocery Store	523
5)	Spring-Ford Area School District	Education	509
6)	Graphic Packaging International Inc.	Manufacturer	431
7)	Quest Diagnostics Incorporated	Pharmaceutical	418
8)	FIS Management Services LLC	Software	410
9)	Parkhouse Operating LLC	Retirement	370
10)	Tricounty Medical Equipment	Manufacturing	311
			<u>11,185</u>

### NOTES:

(1) **The ten largest employers represent 48% of the total Township work force.**

Source: Upper Providence Township Earned Income Tax Collector

## UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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**Table 9**  
**Miscellaneous Statistics**  
**2019**

<b><u>Date Founded:</u></b>	1805			
<b><u>Form of Government:</u></b>	Township of the Second Class			
<b><u>Area:</u></b>	18.2 Square Miles 11,655 Acres			
<b><u>Population:</u></b>	1980: 9,551 1990: 9,682	2000: 15,398 2010: 21,219		
<b><u>Age Characteristics:</u></b>	Median Age: Percent Under 20: Percent 21-64: Percent 65 and over:	41 27% 60% 13%		
<b><u>Fire Protection:</u></b>	Paid Career Firefighters Volunteer Fire Company: Black Rock Fire Company			
<b><u>Police Department:</u></b>	1 Station 31 Sworn Officers			
<b><u>Township Employees:</u></b>	37 Full-time 78 Part-time and seasonal			
<b><u>Race/Ethnicity:</u></b>	Caucasian: 83.4% African-American: 4.5% Asian: 10.3% Other: 1.8%			
<b><u>Miles of Roads/Streets:</u></b>	90			
<b><u>Sewer System:</u></b>	Miles of Sanitary Sewer: Pumping Stations: Daily Average Pumped:	123 2 2.94 Million Gallons/Day		

## UPPER PROVIDENCE TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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#### Table 9 (Continued)

#### Miscellaneous Statistics

2019

##### Housing:

	<u>2000</u>	<u>2010</u>
Median Value of Owner-Occupied Units:	\$162,900	\$324,000
Average Household Size:	2.77	2.84
Housing by Type:		
One Unit Detached	3,330	4,340
One Unit Attached	1,613	2,333
Multiple Units	592	688
Other	<u>10</u>	<u>25</u>
Total Housing Units	5,545	7,386

##### Finances:

Median Family Income:	\$136,294
Median Household Income:	\$123,451
Per Capita Income:	\$54,888
Individuals Below Poverty Level:	4.4%
Families Below Poverty Level:	4.4%

##### Educational Achievement:

High School Graduates:	96.9%
Bachelor Degree or Higher:	57.5%

##### Education:

Education is provided by the Spring-Ford Area School District, which also services Limerick Township, Royersford Borough and Spring City Borough.

Number of Schools:	11	(7 Elementary, 3 Intermediate & 1 High School)
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Sources: U.S. Census Bureau (2000 & 2010 Census Data), Pennsylvania State Data Center, Spring-Ford Area School District, Township Records and American Community Survey (2014 - 2018)

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,369,939	\$ 1,509,032	\$ 5,878,971
Investments	15,405,535	1,011,108	16,416,643
Receivables	166,419	1,216,949	1,383,368
Internal balances	(3,135,010)	3,135,010	-
Taxes receivable	2,389,875	-	2,389,875
Due from developers	566,147	-	566,147
Prepaid items	23,459	-	23,459
Other postemployment benefits	69,090	-	69,090
Restricted assets			
Cash equivalents	44,764	755,294	800,058
Investments	865,989	11,055,364	11,921,353
Deposits on EDU's	-	18,000	18,000
Capital assets			
Land	9,869,073	-	9,869,073
Land improvements	4,669,244	-	4,669,244
Sewer system	-	16,344,851	16,344,851
Infrastructure	62,262,412	-	62,262,412
Automobiles	6,006,428	-	6,006,428
Building and improvements	23,049,397	-	23,049,397
Equipment, furniture and fixtures	5,557,108	-	5,557,108
Accumulated depreciation	(54,600,783)	(8,221,468)	(62,822,251)
TOTAL ASSETS	<u>77,579,086</u>	<u>26,824,140</u>	<u>104,403,226</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	364,932	-	364,932
Deferred outflows of resources, OPEB activity	49,904	-	49,904
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>414,836</u>	<u>-</u>	<u>414,836</u>
<b>LIABILITIES</b>			
Accounts payable	544,674	355,777	900,451
Due to developers	910,753	-	910,753
Long-term liabilities			
Portion due or payable within one year			
Note payable	683,000	-	683,000
Portion due or payable after one year			
Compensated absences	730,613	-	730,613
Net pension liability	1,287,258	-	1,287,258
Note payable	7,541,358	-	7,541,358
TOTAL LIABILITIES	<u>11,697,656</u>	<u>355,777</u>	<u>12,053,433</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	1,747,488	-	1,747,488
<b>NET POSITION</b>			
Net investment in capital assets	48,588,521	8,123,383	56,711,904
Restricted	892,083	14,602,308	15,494,391
Unrestricted	15,068,174	3,742,672	18,810,846
TOTAL NET POSITION	<u>\$ 64,548,778</u>	<u>\$ 26,468,363</u>	<u>\$ 91,017,141</u>

See accompanying notes to the basic financial statements.

**UPPER PROVIDENCE TOWNSHIP****STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 2,317,564	\$ -	\$ 1,000	\$ -
Public safety	9,060,573	768,257	719,878	-
Public works				
Sanitation	108,263	-	55,692	-
Highways and streets	3,975,297	9,905	102,791	703,936
Culture and recreation	882,988	509,821	-	537,050
Interest on long-term debt	154,955	-	-	-
Depreciation (unallocated)	3,476,992	-	-	-
Miscellaneous	97,076	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	20,073,708	1,287,983	879,361	1,240,986
Business-type activities				
Sewer and sewer capital	3,867,421	3,934,212		-
TOTAL PRIMARY GOVERNMENT	\$ 23,941,129	\$ 5,222,195	\$ 879,361	\$ 1,240,986

**GENERAL REVENUES**

Real estate taxes  
 Per capita taxes  
 Real estate transfer taxes  
 Earned income taxes  
 Local services tax  
 Special assessments  
 Franchise tax  
 Public realty tax and licenses  
 Miscellaneous  
 Interest and rents  
 Gain on sale of capital assets

**TRANSFERS**

Interfund transfers, net

**TOTAL GENERAL REVENUES AND TRANSFERS****CHANGE IN NET POSITION**

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

*See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,316,564)	\$ -	\$ (2,316,564)
(7,572,438)	-	(7,572,438)
(52,571)	-	(52,571)
(3,158,665)	-	(3,158,665)
163,883	-	163,883
(154,955)	-	(154,955)
(3,476,992)	-	(3,476,992)
(97,076)	-	(97,076)
(16,665,378)	-	(16,665,378)
-	66,791	66,791
(16,665,378)	66,791	(16,598,587)
2,610,912	-	2,610,912
1,557	-	1,557
1,224,961	-	1,224,961
10,882,032	-	10,882,032
957,718	-	957,718
57,301	-	57,301
565,648	-	565,648
13,921	-	13,921
443,183	1,339	444,522
454,009	397,402	851,411
6,500	-	6,500
75,000	(75,000)	-
17,292,742	323,741	17,616,483
627,364	390,532	1,017,896
63,921,414	26,077,831	89,999,245
\$ 64,548,778	\$ 26,468,363	\$ 91,017,141

# UPPER PROVIDENCE TOWNSHIP

## BALANCE SHEET

### GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Parks and Recreation Fund (Non-major)	State Liquid Fuels Highway Aid Fund (Non-major)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,430,423	\$ 203,691	\$ 704,673	\$ 31,152	\$ 4,369,939
Investments	7,283,366	7,294,956	512,109	315,104	15,405,535
Receivables	19,751	146,668	-	-	166,419
Taxes receivable	2,389,875	-	-	-	2,389,875
Due from other funds	976,655	401,666	31,048	-	1,409,369
Due from developers	566,147	-	-	-	566,147
Prepaid expenses	22,714	745	-	-	23,459
Restricted assets, cash and cash equivalents	44,764	-	-	-	44,764
Restricted investments	865,989	-	-	-	865,989
<b>TOTAL ASSETS</b>	<b>\$ 15,599,684</b>	<b>\$ 8,047,726</b>	<b>\$ 1,247,830</b>	<b>\$ 346,256</b>	<b>\$ 25,241,496</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 302,505	\$ 223,833	\$ -	\$ 20,320	\$ 546,658
Due to other funds	315,279	3,679,100	550,000	-	4,544,379
Payable to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Due to developers	910,753	-	-	-	910,753
<b>TOTAL LIABILITIES</b>	<b>1,528,537</b>	<b>3,902,933</b>	<b>550,000</b>	<b>20,320</b>	<b>6,001,790</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues. Property taxes	19,838	-	-	-	19,838
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Prepaid expenses	22,714	745	-	-	23,459
Notes receivable	-	146,668	-	-	146,668
<b>Restricted</b>					
Escrows	566,147	-	-	-	566,147
Highway improvements	-	-	-	325,936	325,936
<b>Committed</b>					
Parks and recreation	-	-	697,830	-	697,830
Unassigned	13,462,448	3,997,380	-	-	17,459,828
<b>TOTAL FUND BALANCES</b>	<b>14,051,309</b>	<b>4,144,793</b>	<b>697,830</b>	<b>325,936</b>	<b>19,219,868</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 15,599,684</b>	<b>\$ 8,047,726</b>	<b>\$ 1,247,830</b>	<b>\$ 346,256</b>	<b>\$ 25,241,496</b>

See accompanying notes to the basic financial statements.

## UPPER PROVIDENCE TOWNSHIP

### RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 19,219,868
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	9,869,073
Land improvements	4,669,244
Infrastructure	62,262,412
Automobiles	6,006,428
Building and improvements	23,049,397
Equipment, furniture and fixtures	5,557,108
Accumulated depreciation	(54,600,783)
Long-term liabilities including notes payable, are not due and payable in the current period and, therefore, are not reported on the funds.	(8,224,358)
Net other postemployment benefit (OPEB) asset is not reported in the Governmental Funds.	69,090
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Compensated absences	(730,613)
Net pension liability	(1,287,258)
Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.	(1,332,652)
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables in the funds.	<u>21,822</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 64,548,778</u></u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General Fund	Capital Projects Fund	Parks and Recreation Fund (Non-major)	State Liquid Fuels Highway Aid Fund (Non-major)	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Real estate	\$ 2,610,912	\$ -	\$ -	\$ -	\$ 2,610,912
Per capita	1,557	-	-	-	1,557
Real estate transfer	1,224,961	-	-	-	1,224,961
Earned income	10,882,032	-	-	-	10,882,032
Local services tax	957,718	-	-	-	957,718
Licenses and permits	594,258	-	-	-	594,258
Fines and forfeits	88,301	-	-	-	88,301
Interest and rents	280,819	155,632	1,226	16,332	454,009
Intergovernmental	857,637	-	-	703,936	1,561,573
Charges for services	1,151,001	-	12,521	-	1,163,522
Contributions	37,804	7,441	39,000	-	84,245
State, local and federal grants	-	-	496,000	-	496,000
Miscellaneous	144,426	356,058	-	-	500,484
<b>TOTAL REVENUES</b>	<b>18,831,426</b>	<b>519,131</b>	<b>548,747</b>	<b>720,268</b>	<b>20,619,572</b>
<b>EXPENDITURES</b>					
General government	1,911,381	1,238,151	-	-	3,149,532
Public safety	9,186,367	119,550	-	-	9,305,917
Public works					
Sanitation	112,810	-	-	-	112,810
Highways and streets	3,044,378	1,085,453	-	974,747	5,104,578
Culture and recreation	887,983	-	257,631	-	1,145,614
Miscellaneous	97,076	-	-	-	97,076
Debt service	-	834,000	-	-	834,000
<b>TOTAL EXPENDITURES</b>	<b>15,239,995</b>	<b>3,277,154</b>	<b>257,631</b>	<b>974,747</b>	<b>19,749,527</b>
<b>EXCESS (DEFICIENCY)</b>					
<b>OF REVENUES OVER</b>					
<b>EXPENDITURES</b>	<b>3,591,431</b>	<b>(2,758,023)</b>	<b>291,116</b>	<b>(254,479)</b>	<b>870,045</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuance of long-term debt	-	6,844,832	-	-	6,844,832
Proceeds from sale of capital assets	-	6,500	-	-	6,500
Interfund transfers in	405,000	1,565,925	-	-	1,970,925
Interfund transfers out	(1,665,925)	(230,000)	-	-	(1,895,925)
<b>TOTAL OTHER FINANCING</b>					
<b>SOURCES (USES)</b>	<b>(1,260,925)</b>	<b>8,187,257</b>	<b>-</b>	<b>-</b>	<b>6,926,332</b>
<b>NET CHANGE IN FUND</b>					
<b>BALANCES</b>	<b>2,330,506</b>	<b>5,429,234</b>	<b>291,116</b>	<b>(254,479)</b>	<b>7,796,377</b>
<b>FUND BALANCES AT BEGINNING OF</b>					
<b>YEAR, restated</b>	<b>11,720,803</b>	<b>(1,284,441)</b>	<b>406,714</b>	<b>580,415</b>	<b>11,423,491</b>
<b>FUND BALANCES AT END</b>					
<b>OF YEAR</b>	<b>\$ 14,051,309</b>	<b>\$ 4,144,793</b>	<b>\$ 697,830</b>	<b>\$ 325,936</b>	<b>\$ 19,219,868</b>

*See accompanying notes to the basic financial statements.*

## UPPER PROVIDENCE TOWNSHIP

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 7,796,377
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 as depreciation expense. This is the amount by which depreciation expense (\$3,476,992) exceeds capital outlays (\$2,199,878) in the current period.	(1,277,114)
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	(6,165,787)
Other postemployment benefits and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.	(90,242)
Net pension liability and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.	358,781
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.	<u>5,349</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 627,364</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	Enterprise Funds		
	Sewer Revenue Fund	Sewer Capital Funds	Total Proprietary Funds
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,509,032	\$ -	\$ 1,509,032
Investments	1,011,108	-	1,011,108
Receivables	1,216,949	-	1,216,949
Due from other funds	195,379	3,525,000	3,720,379
<b>TOTAL CURRENT ASSETS</b>	<b>3,932,468</b>	<b>3,525,000</b>	<b>7,457,468</b>
<b>NONCURRENT ASSETS</b>			
Restricted assets			
Cash equivalents	-	755,294	755,294
Investments	-	11,055,364	11,055,364
Deposits on EDU's	18,000	-	18,000
<b>TOTAL RESTRICTED ASSETS</b>	<b>18,000</b>	<b>11,810,658</b>	<b>11,828,658</b>
Capital assets			
Sewer system	-	16,344,851	16,344,851
Accumulated depreciation	-	(8,221,468)	(8,221,468)
<b>TOTAL CAPITAL ASSETS,</b> net of accumulated depreciation	<b>-</b>	<b>8,123,383</b>	<b>8,123,383</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>18,000</b>	<b>19,934,041</b>	<b>19,952,041</b>
<b>TOTAL ASSETS</b>	<b>3,950,468</b>	<b>23,459,041</b>	<b>27,409,509</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	207,796	147,981	355,777
Due to other funds	-	585,369	585,369
<b>TOTAL LIABILITIES</b>	<b>207,796</b>	<b>733,350</b>	<b>941,146</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	8,123,383	8,123,383
Restricted	-	14,602,308	14,602,308
Unrestricted	3,742,672	-	3,742,672
<b>TOTAL NET POSITION</b>	<b>\$ 3,742,672</b>	<b>\$ 22,725,691</b>	<b>\$ 26,468,363</b>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	
OPERATING REVENUES			
Charges for sales and services			
Sewer rents	\$ 3,196,496	\$ -	\$ 3,196,496
Connection and other fees	736,450	1,266	737,716
Miscellaneous	71	1,268	1,339
TOTAL OPERATING REVENUES	<u>3,933,017</u>	<u>2,534</u>	<u>3,935,551</u>
OPERATING EXPENSES			
Contracted services	2,459,809	663,070	3,122,879
Supplies	1,433	-	1,433
Miscellaneous	15,438	31,802	47,240
Professional services	13,384	194,214	207,598
Repairs and maintenance	3,768	-	3,768
Electric and water	19,607	-	19,607
Insurance	4,902	-	4,902
Depreciation	-	459,994	459,994
TOTAL OPERATING EXPENSES	<u>2,518,341</u>	<u>1,349,080</u>	<u>3,867,421</u>
OPERATING INCOME (LOSS)	1,414,676	(1,346,546)	68,130
NON-OPERATING REVENUES			
Earnings on investments	<u>43,693</u>	<u>353,709</u>	<u>397,402</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	<u>1,458,369</u>	<u>(992,837)</u>	<u>465,532</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	100,000	225,000	325,000
Transfers out	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
TOTAL OTHER FINANCING SOURCES(USES)	<u>(300,000)</u>	<u>225,000</u>	<u>(75,000)</u>
CHANGE IN NET POSITION	1,158,369	(767,837)	390,532
NET POSITION AT BEGINNING OF YEAR, restated	<u>2,584,303</u>	<u>23,493,528</u>	<u>26,077,831</u>
NET POSITION AT END OF YEAR	<u>\$ 3,742,672</u>	<u>\$ 22,725,691</u>	<u>\$ 26,468,363</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,818,047	\$ 2,534	\$ 2,820,581
Payments to suppliers	(2,310,545)	(741,105)	(3,051,650)
Payments to other funds	(68,519)	596,050	527,531
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	438,983	(142,521)	296,462
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer (to) from other funds	(300,000)	225,000	(75,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvement of capital assets	-	(1,648,806)	(1,648,806)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net sales of investments	306,477	1,248,296	1,554,773
Earnings on investments	43,693	353,709	397,402
NET CASH PROVIDED BY INVESTING ACTIVITIES	350,170	1,602,005	1,952,175
NET INCREASE IN CASH AND CASH EQUIVALENTS	489,153	35,678	524,831
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,018,373	719,616	1,737,989
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,507,526	\$ 755,294	\$ 2,262,820
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,414,676	\$ (1,346,546)	\$ 68,130
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	459,994	459,994
(Increase) decrease in			
Receivables	(1,114,970)	-	(1,114,970)
Due from other funds	(68,519)	512,541	444,022
Increase in			
Accounts payable	207,796	147,981	355,777
Due to other funds	-	83,509	83,509
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 438,983	\$ (142,521)	\$ 296,462

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

DECEMBER 31, 2019

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	Police Pension Fund	Firefighters Pension Fund	Non-Uniformed Pension Fund	Post-Retirement Health Benefit Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
ASSETS				
Cash and cash equivalents	\$ 220,550	\$ 7,351	\$ 95,566	\$ 32,370
Investments	<u>11,467,368</u>	<u>415,424</u>	<u>8,238,044</u>	<u>1,338,686</u>
TOTAL ASSETS	<u>\$ 11,687,918</u>	<u>\$ 422,775</u>	<u>\$ 8,333,610</u>	<u>\$ 1,371,056</u>
NET POSITION				
Reserved for plan participants	<u>\$ 11,687,918</u>	<u>\$ 422,775</u>	<u>\$ 8,333,610</u>	<u>\$ 1,371,056</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2019**

	Police Pension Fund	Firefighters Pension Fund	Non-Uniformed Pension Fund	Post-Retirement Health Benefit Fund
ADDITIONS				
Contributions, employer and Commonwealth	\$ 770,940	\$ 95,883	\$ 475,000	\$ -
Investment income				
Interest and dividends	264,378	8,745	190,258	38,279
Increase in the fair market value of assets	1,760,480	58,920	1,311,139	40,379
TOTAL NET INVESTMENT EARNINGS	2,024,858	67,665	1,501,397	78,658
TOTAL ADDITIONS	2,795,798	163,548	1,976,397	78,658
DEDUCTIONS				
Administrative expenses	37,866	3,285	26,430	4,967
Payments to participants	585,289	-	405,741	30,681
TOTAL DEDUCTIONS	623,155	3,285	432,171	35,648
CHANGE IN NET POSITION	2,172,643	160,263	1,544,226	43,010
NET POSITION AT BEGINNING OF YEAR	9,515,275	262,512	6,789,384	1,328,046
NET POSITION AT END OF YEAR	\$ 11,687,918	\$ 422,775	\$ 8,333,610	\$ 1,371,056

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Upper Providence Township (the "Township") operates under a three-member Board of Supervisors and provides public safety, health and welfare, public works, culture and recreation, conservation and development, public improvements, planning and zoning and general administrative services.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**Reporting Entity**

The Township, for financial purposes, includes all of the funds relevant to the operation of Upper Providence Township, except as noted.

The Township utilizes Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. In evaluating the Township as a primary government, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity is financial accountability and the nature and significance of the relationship.

The Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Township's financial statements. In addition, the Township is not aware of any entity which would exercise such oversight which would result in the Township being considered a component unit entity.

**Fund Accounting**

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Township are grouped into the categories governmental, proprietary and fiduciary.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Township reports the following major Governmental Funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by the 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.

Additionally, the Township reports the following non-major Governmental Funds:

The *Recreation Fund* is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The *State Liquid Fuels Highway Aid Fund* is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Township reports the following Fiduciary Funds:

The *Police Pension Fund, Firefighters Pension Fund, Non-Uniformed Pension Fund and Post-Retirement Health Benefit Fund* are used to account for assets held by the Township in a trustee capacity for the benefit of plan participants. The reporting focus of these funds is on net position and changes in net position.

**Basis of Presentation and Accounting**

The basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

***Fund Financial Statements*** - Fund financial statements report detailed information about the Township. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major Governmental Funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer charges. Operating expenses for the Township's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of one year or less and with no restrictions on withdrawal are considered cash equivalents.

**Investments**

Investments are reported at fair value pursuant to GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. Under these statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Sewer system	10-40
Infrastructure	15-50
Automobiles	3-5
Building and improvements	7-40
Equipment, furniture and fixtures	3-7

**Accrued Compensated Absences**

Effective January 1, 2002, employees, upon retirement, will receive compensation for one third of total sick days accumulated, with a maximum of 60 days.

The Township accrues sick days at one third of total sick days accumulated, which represents the Township's liability.

**Tax Collection**

The tax collector is an elected official who is responsible for collecting taxes on behalf of the Township, County and School District. The Township regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

**Real Estate Taxes**

Real estate taxes are recorded as revenues when the taxes are levied. All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2019, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Real estate taxes are levied on January 1 on property values assessed as of the same date. Taxes are billed March 1 and are due on June 30 of each year. A 2% discount is provided for taxes paid prior to May 30. A 10% penalty is applied to taxes paid after June 30. Any unpaid bills as of December 31 are subject to lien, and penalties and interest are assessed.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**Fund Balance and GASB Statement No. 54**

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The details of the fund balances are included in the Governmental Funds balance sheet (page 22).

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the OPEB plan and the net difference between projected and actual earnings on OPEB plan investments.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. Unavailable revenues. Which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

**NOTE B - CASH AND INVESTMENTS**

The Township's cash and cash equivalents consist of deposits with financial institutions and certificates of deposit with original maturities of one year or less.

State statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The Township's cash and cash investments consist of deposits with financial institutions.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are collateralized under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of depository insurance limits. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2019, the carrying amount of the Township's deposits was \$7,034,867 and the bank balance was \$7,539,283. Of the bank balance, \$800,199 was covered by FDIC depository insurance. However, the \$2,219,909 of deposits that exceeded the FDIC insurance coverage was properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. The remaining \$4,519,175 bank balance is invested in PLGIT, a state investment pool, which is uninsured and uncollateralized. 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 and is rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

**Investments**

As of December 31, 2019, the Township had the following investments:

Investment Type	Amortized Cost	Fair Value	Investment Maturities	
			Less Than One Year	1 to 5 Years
Certificates of deposit	\$ 8,798,621	\$ -	\$ 2,112,824	\$ 6,685,797
State investment pools	20,258,261	-	20,258,261	-
Mutual funds primarily invested in U.S. securities	-	19,683,790	19,683,790	-
Limited partnership interests	19,000	-	19,000	-
Mutual funds primarily invested in foreign securities	-	1,037,845	1,037,845	-
	<u>\$ 29,075,882</u>	<u>\$ 20,721,635</u>	<u>\$ 43,111,720</u>	<u>\$ 6,685,797</u>

A portion of the Township's investments is in the PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2019, is \$20,258,261. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE B - CASH AND INVESTMENTS (Continued)**

Investments held with qualifying external state investment pools, certificates of deposit and limited partnership interests are valued at amortized cost in accordance with GASB Statement No. 79.

**Interest Rate Risk** - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Fair Value Measurement** - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township's investments in mutual funds are recurring fair value measurements. These investments are valued using quoted market prices (Level 1 inputs).

**Credit Risk** - State law limits investments in obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The Township has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** - The Township places no limit on the amount the Township may invest in any one issuer. There are no individual investments exceeding 5% of total investments that are required to be disclosed:

**NOTE C - RECEIVABLES**

Receivables are comprised of the following:

	Governmental Activities	Business-Type Activities	Totals
Other receivables	\$ 166,419	\$ -	\$ 166,419
Real estate taxes	6,542	-	6,542
Earned income tax	2,044,732	-	2,044,732
Real estate transfer taxes	119,280	-	119,280
Local services tax	219,321	-	219,321
Sewer rents, assessments and connections receivable	-	1,216,949	1,216,949
	<u>\$ 2,556,294</u>	<u>\$ 1,216,949</u>	<u>\$ 3,773,243</u>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE D - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 9,869,073	\$ -	\$ -	\$ 9,869,073
Capital assets being depreciated				
Land improvements	4,466,262	202,982	-	4,669,244
Infrastructure	61,708,406	554,006	-	62,262,412
Automobiles	5,586,877	419,551	-	6,006,428
Building and improvements	22,348,474	700,923	-	23,049,397
Equipment, furniture and fixtures	5,234,692	322,416	-	5,557,108
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>99,344,711</b>	<b>2,199,878</b>	<b>-</b>	<b>101,544,589</b>
Accumulated depreciation				
Land improvements	(2,115,452)	(211,421)	-	(2,326,873)
Infrastructure	(35,506,564)	(1,724,516)	-	(37,231,080)
Automobiles	(4,682,812)	(345,349)	-	(5,028,161)
Building and improvements	(4,519,912)	(810,039)	-	(5,329,951)
Equipment, furniture and fixtures	(4,299,051)	(385,667)	-	(4,684,718)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(51,123,791)</b>	<b>(3,476,992)</b>	<b>-</b>	<b>(54,600,783)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>48,220,920</b>	<b>(1,277,114)</b>	<b>-</b>	<b>46,943,806</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>58,089,993</b>	<b>(1,277,114)</b>	<b>-</b>	<b>56,812,879</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Sewer system	14,696,045	1,648,806	-	16,344,851
Accumulated depreciation	(7,761,474)	(459,994)	-	(8,221,468)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>6,934,571</b>	<b>1,188,812</b>	<b>-</b>	<b>8,123,383</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 65,024,564</b>	<b>\$ (88,302)</b>	<b>\$ -</b>	<b>\$ 64,936,262</b>

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE E - NOTES RECEIVABLE FROM FIRE COMPANIES**

**Capital Projects Fund**

On October 21, 1999, the Township entered into an agreement to loan \$400,000 to a local fire company. The note is to be repaid to the Township in 30 yearly installments of \$13,333, with 0% interest per annum.

1999 note receivable from fire company	\$ <u>146,668</u>
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**NOTE F - LONG TERM DEBT**

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended December 31, 2019:

	Balance January 1, 2019	Additions
GOVERNMENTAL ACTIVITIES		
Notes payable	\$ 2,058,571	\$ 6,844,832
Accumulated compensated absences	735,962	-
Net pension liability	5,057,742	-
Other postemployment benefits	(120,888)	51,543
	<u>7,731,387</u>	<u>6,896,375</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>7,731,387</u>	\$ <u>6,896,375</u>

**General Obligation Notes**

In March of 2017 the Township issued the General Obligation Note of 2017 in the amount of \$10,000,000 to finance various capital projects. The Township plans to draw down from the note for capital projects. During 2019 the township drew \$6,844,832 from the note for capital projects.

Presented below is a summary of debt service requirements to maturity by years:

Year Ending December 31,	Principal	Interest	Totals
2020	\$ 683,000	\$ 197,348	\$ 880,348
2021	701,000	180,048	881,048
2022	719,000	162,298	881,298
2023	738,000	144,085	882,085
2024	756,000	125,410	881,410
2025-2029	3,370,000	489,174	3,859,174
2030-2032	1,257,358	68,177	1,325,535
	<u>\$ 8,224,358</u>	<u>\$ 1,366,540</u>	<u>\$ 9,590,898</u>

Reductions	Balance December 31, 2019	Due Within One Year
\$ (679,045)	\$ 8,224,358	\$ 683,000
(5,349)	730,613	-
(3,773,184)	1,284,558	-
-	(69,345)	-
\$ (4,457,578)	\$ 10,170,184	\$ 683,000

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)**

**Summary of Significant Accounting Policies**

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

**Plan Administration** - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

**Plan Membership** - At December 31, 2019, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated	7
employees entitled to benefits but not yet receiving them	27
Current active members	<u>34</u>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Benefits Provided** - Normal retirement can be at age 55 with 25 years of service at 50% of average compensation adjusted by accrued benefits. Effective January 1, 1999, the police officers may retire upon completion of 20 years active-duty service. The amount of pension benefits payable shall be reduced by a ratio of years of service at retirement divided by years of service at the superannuation retirement date and shall be further actuarially reduced for early pay out. The ratio shall be as follows:

20 years .....	20/25th
21 years .....	21/25th
22 years .....	22/25th
23 years .....	23/25th
24 years .....	24/25th
25 years .....	Full retirement

Member personnel are 100% vested after 12 years of service. Death and disability benefit provisions parallel retirement benefit provisions. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

**Contributions** - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The state provides an allocation of funds, which must be used for pension funding. In 2019, member personnel were not required to contribute to the plan. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2019, the MMO obligation for the plan was \$691,751. Contributions of \$770,940 were made by the Township.

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

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	21%
Fixed income	28%
Real estate	0%
Cash	1%
	<u>100%</u>

**Concentrations** - At December 31, 2019, the plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 21.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2019, were as follows:

Total pension liability	\$ 12,984,745
Plan fiduciary net position	<u>(11,687,918)</u>
<b>NET PENSION LIABILITY</b>	<b><u>\$ 1,296,827</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.01%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	5.0% average, including inflation
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 tables.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.0%
International equity	6.0%
Fixed income	2.5%
Real estate	7.0%
Cash	0.0%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

***Changes in Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2018	\$ 12,680,924	\$ 9,515,275	\$ 3,165,649
Changes for the year			
Service cost	500,791	-	500,791
Interest	966,680	-	966,680
Differences between expected and actual experience	(578,361)	-	(578,361)
Contributions			
Employer	-	701,000	(701,000)
Member	-	69,940	(69,940)
Net investment income	-	2,024,858	(2,024,858)
Benefit payments	(585,289)	(585,289)	-
Administrative expense	-	(37,866)	37,866
Net changes	303,821	2,172,643	(1,868,822)
BALANCE AT DECEMBER 31, 2019	\$ 12,984,745	\$ 11,687,918	\$ 1,296,827

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ <u>3,236,120</u>	\$ <u>1,296,827</u>	\$ <u>(309,097)</u>

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2019, the Township recognized pension expense of \$768,025. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,417	\$ 295,318
Changes in assumptions	165,001	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>451,531</u>
	\$ <u>208,418</u>	\$ <u>746,849</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,	
2020	\$ (97,511)
2021	(132,651)
2022	(12,395)
2023	(278,494)
2024	(17,380)

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN)**

**Summary of Significant Accounting Policies**

Firefighters' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Firefighters' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

**Plan Administration** - The Upper Providence Township Firefighters' Pension Plan is a single-employer defined pension plan. The Plan was a spin-off of the Upper Providence Township Non-Uniform Pension Plan. The Plan was amended and restated by Ordinance No. 2016-46B, effective January 1, 2016. The plan is governed by the Board of Supervisors of the Township of Upper Providence which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Supervisors has delegated the authority to manage certain Plan assets to the INR Advisors. The plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

**Plan Membership** - The plan provides pension benefits for full-time paid firefighters of the Township. At December 31, 2019, plan membership consisted of the following:

Active employees	4
Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	1
	<hr/>
	5
	<hr/>

**Benefits Provided** - Plan benefit provisions are as follows:

**Eligibility Requirements**

Normal Retirement:	Age 62
Early Retirement:	Age 55 and ten years of service
Vesting:	10% per year of service up to 100% after ten years of service

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)**

**Retirement Benefit**

A monthly benefit equal to 2% of average monthly compensation (total pay averaged over the highest consecutive 36 months of employment), multiplied by years of service, up to a maximum benefit of 50%.

**Death Benefit**

Years of Service 1 to 10:

A lump sum of benefit paid to the surviving spouse equal to the actuarial equivalent present value of the vested benefit as of date of death.

After Ten Years of Service  
but Before Retirement:

A monthly benefit paid to the surviving spouse equal to the pension the participant would have been eligible for at date of death under the 100% joint and survivor option. Benefit will be payable at the participant's normal retirement date or at the participant's early retirement date, subject to the early retirement reduction.

After Retirement:

Optional annuity forms chosen at retirement.

**Disability Benefit**

Service Related:

For disablement and qualification for social security disability benefits, a monthly benefit equal to the normal retirement benefit will be payable following six months of disablement for duration of disability prior to normal retirement.

**Post-Retirement Adjustments**

Effective each January, a retiree will receive an increase in the monthly benefit equal to the lesser of 3% or the percentage change in the CPI-W (Philadelphia Region) during the last year times the pension benefit. The total of all increases may not exceed 30% of the participant's original monthly benefit.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)**

<b>DROP Benefit</b>	Participant may remain in DROP for 5 years. At DROP termination, the participant receives the lump sum value of the DROP account and begins receiving a monthly pension benefit.
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<b>Early Retirement Benefit</b>	Normal retirement benefit using service and compensation at termination, payable at normal retirement. If elected anytime after early retirement eligibility, it will be reduced by 1/180 for each of the first 60 months early, and by 1/360 for each additional month by which payment precedes normal retirement date.
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**Member Contributions**

Amount or Rate:	None
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Interest Rate Credited to Member Contributions:	N/A
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**Contributions** - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Member personnel are not required to contribute. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2019, the MMO obligation for the Firefighters' Pension Plan was \$49,701. Contributions of \$95,883 were made by the Township.

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

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)**

**Investments**

**Investment Policy** - The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. According to an investment policy statement, the plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Stocks	60%
Bonds	37%
Cash	3%
	<u>100%</u>

**Concentrations** - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2019, the plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 21.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2019, were as follows:

Total pension liability	\$ 348,818
Plan fiduciary net position	<u>(422,775)</u>
NET PENSION LIABILITY	<u>\$ (73,957)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>121.2%</u>

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.5% including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	5.0%-7.0%
Fixed income	1.0%-3.0%
Cash	0.0%-1.0%

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the minimum municipal obligation. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)**

***Changes in Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2018	\$ 336,493	\$ 262,512	\$ 73,981
Changes for the year			
Service cost	49,997	-	49,997
Interest	23,580	-	23,580
Differences between expected and actual experience	(71,617)	-	(71,617)
Changes of assumptions	10,365	-	10,365
Contributions			
Employer	-	95,883	(95,883)
Net investment income	-	67,665	(67,665)
Administrative expense	-	(3,285)	3,285
Net changes	12,325	160,263	(147,938)
BALANCE AT DECEMBER 31, 2019	\$ 348,818	\$ 422,775	\$ (73,957)

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.25%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 11,147	\$ (73,957)	\$ (140,843)

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2019, the Township recognized pension expense of \$46,505. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	67,787
Changes in assumptions	9,811	-
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 17,015
	\$ 9,811	\$ 84,802

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)**

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

<u>Year Ended</u> <u>December 31,</u>	
2020	\$ (7,007)
2021	(7,005)
2022	(3,968)
2023	(12,139)
2024	(3,276)
Thereafter	(41,596)

**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**

**Summary of Significant Accounting Policies**

Non-Uniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Non-Uniformed Employees' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

**Plan Administration** - The Township's Non-Uniformed Pension Plan is a single-employer defined benefit pension plan. The plan was established effective January 1, 1969 and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT) dated September 2, 1986. The plan was amended and restated by Resolution No. 2016-46A, effective January 1, 2016. The plan is governed by the Board of Supervisors of Upper Providence Township which may amend plan provisions, and which are responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to INR Advisors. The plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Plan Membership** - The plan provides pensions for full-time employees, excluding police officers and paid firefighters, of the Township. As of January 1, 2019, the plan is closed to new participants. At December 31, 2019, plan membership consisted of the following:

Active employees	15
Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	9
	<hr/>
	44
	<hr/>

**Benefits Provided** - Plan benefit provisions are as follows:

**Eligibility Requirements**

Normal Retirement:	Age 62
Early Retirement:	Age 55 and ten years of service
Vesting:	10% per year of service up to 100% after ten years of service

**Retirement Benefit**

A monthly benefit equal to 2% of average monthly compensation (total pay averaged over the highest consecutive 36 months of employment), multiplied by years of service, up to a maximum benefit of 50%. For those hired before May 2, 2005, the benefit shall be no less than 1.5% of average monthly compensation, multiplied by years of service.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Death Benefit**

Years of Service 1 to 10:	A lump sum of benefit paid to the surviving spouse equal to the actuarial equivalent present value of the vested benefit as of date of death.
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After Ten Years of Service but Before Retirement:	A monthly benefit paid to the surviving spouse equal to the pension the participant would have been eligible for at date of death under the 100% joint and survivor option. Benefit will be payable at the participant's normal retirement date or at the participant's early retirement date, subject to the early retirement reduction.
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After Retirement:	Optional annuity forms chosen at retirement.
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**Disability Benefit**

Service Related:	For disablement and qualification for social security disability benefits, a monthly benefit equal to the normal retirement benefit will be payable following six months of disablement for duration of disability prior to normal retirement.
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Non-Service Related:	Same
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**Post-Retirement Adjustments**

Effective each January, a retiree will receive an increase in the monthly benefit equal to the lesser of 3% or the percentage change in the CPI-W (Philadelphia Region) during the last year times the pension benefit. The total of all increases may not exceed 30% of the participant's original monthly benefit.

**DROP Benefit**

Participant may remain in DROP for 5 years. At DROP termination, the participant receives the lump sum value of the DROP account and begins receiving a monthly pension benefit.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
(Continued)

**Vesting Benefit**

Normal retirement benefit using service and compensation at termination multiplied by the vesting percentage, payable at normal retirement. The benefit may be elected earlier, but will be reduced for early retirement.

**Early Retirement Benefit**

Normal retirement benefit using service and compensation at termination, payable at normal retirement. If elected anytime after early retirement eligibility, it will be reduced by 1/180 for each of the first 60 months early, and by 1/360 for each additional month by which payment precedes normal retirement date.

**Member Contributions**

Amount or Rate: None

Interest Rate Credited to  
Member Contributions: N/A

**Contributions** - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Member personnel are not required to contribute. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2019, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$466,733. Contributions of \$475,000 were made by the Township.

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

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
(Continued)

**Investments**

**Investment Policy** - The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. According to an investment policy statement, the plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Stocks	60%
Bonds	37%
Cash	3%
	<u>100%</u>

**Concentrations** - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2019, the plan had the no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 21.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2019, were as follows:

Total pension liability	\$ 8,397,998
Plan fiduciary net position	<u>(8,333,610)</u>
NET PENSION LIABILITY	<u>\$ 64,388</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.2%</u>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.5% including inflation
Investment rate of return	7.25%

In the January 1, 2019 actuarial valuation mortality rates were based on the RP-2014 Mortality Table, in previous years mortality rates were based on the RP-2000 Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	5.0%-7.0%
Fixed income	1.0%-3.0%
Cash	0.0%-1.0%

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the minimum municipal obligation. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

***Changes in Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2018	\$ 8,607,496	\$ 6,789,384	\$ 1,818,112
Changes for the year			
Service cost	196,221	-	196,221
Interest	581,651	-	581,651
Differences between expected and actual experience	(581,629)	-	(581,629)
Changes of assumptions	-	-	-
Contributions			
Employer	-	475,000	(475,000)
Net investment income	-	1,501,396	(1,501,396)
Benefit payments	(405,741)	(405,741)	-
Administrative expense	-	(26,429)	26,429
Net changes	(209,498)	1,544,226	(1,753,724)
BALANCE AT DECEMBER 31, 2019	\$ 8,397,998	\$ 8,333,610	\$ 64,388

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.25%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 1,135,259	\$ 64,388	\$ (837,663)

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2019, the Township recognized pension expense of \$222,232. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 527,382
Changes in assumptions	146,703	-
Net difference between projected and actual earnings on pension plan investments	-	388,455
	\$ 146,703	\$ 915,837

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

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 <u>December 31,</u>	
2020	\$ (161,716)
2021	(185,249)
2022	(73,549)
2023	(266,105)
2024	(82,515)

**NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS**

**Summary of Significant Accounting Policies**

The OPEB Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's OPEB Plan is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due.

**Plan Description**

The Township's post-employment healthcare plan is a single employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retired employees. Spouses and other dependents are not covered by the plan. The benefits, benefits level and employer contribution are administered by Township Supervisors and can be amended by the Township through its personnel manual and union contracts. The plan is accounted for as a trust fund and reported in the financial statements as a fiduciary fund. The plan does not issue a stand-alone financial report.

**Plan Membership**

At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1
Active plan members	<u>27</u>
	<u><u>28</u></u>

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Benefits Provided**

A retiring police officer shall have the option of being maintained on the existing health plan provided to active officers, which will continue until the retired officer becomes eligible to receive benefits through Medicare. The Township will pay 100% of the premium costs associated with coverage for the retiree only, and the retiree will have the option to add spousal or family coverage provided that the retiree pay the additional premium amounts associated with such coverage. Health plan benefits will include but will not be limited to major medical, hospitalization, prescription, vision and dental coverage.

**Funding Policy**

Member contributions are not required under the plan. The contribution requirements of plan members are established and may be amended by the Board of Supervisors. The Township is accounting for these expenditures on a "pay-as-you-go" basis. The costs of administering the plans are paid by the Township.

**Investment Policy**

The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	21%
Fixed income	28%
Real estate	0%
Cash	1%
	<u>100%</u>

**Concentrations** - At December 31, 2019, the plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Net OPEB Liability of the Township**

The components of the net OPEB liability of the Township at December 31, 2019, were as follows:

Total OPEB liability	\$ 1,301,966
Plan fiduciary net position	<u>(1,371,056)</u>
 NET OPEB LIABILITY (asset)	 \$ <u><u>(69,090)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability (asset)	  <u><u>105.31%</u></u>

**Actuarial Assumptions** - The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	5.00%
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The healthcare cost trend rate is 8.0% in 2019, gradually decreasing by 1% per year to an ultimate rate of 5.0%.

Mortality rates were based on the RP-2000 Combined (Blue Collar) Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.0%
International equity	6.0%
Fixed income	2.5%
Real estate	7.0%
Cash	0.0%

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB liability was 5.00%.

**Changes in the Net OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (asset) (a)-(b)
Balances at December 31, 2018	\$ 1,207,158	\$ 1,328,046	\$ (120,888)
Changes for the year			
Service cost	59,580	-	59,580
Interest cost	62,571	-	62,571
Changes for experience	3,312	-	3,312
Employer contributions	-	-	-
Net investment income	-	78,658	(78,658)
Benefit payments	(30,655)	(30,655)	-
Administrative expenses	-	(4,993)	4,993
Net changes	94,808	43,010	51,798
Balances at December 31, 2019	\$ 1,301,966	\$ 1,371,056	\$ (69,090)

**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 of 5.00%, as well as what the Township's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability (asset)	\$ 77,051	\$ (69,090)	\$ (202,233)

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Sensitivity of the Net OPEB Liability (asset) to Changes in the Healthcare Cost Trend Rate** - The following presents the net OPEB liability (asset) of the Township, as well as what the Township's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0% decreasing to 4.0%) or one percentage point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (7.0% Decreasing to 4.0%)	Healthcare Rates (8.0% Decreasing to 5.0%)	1% Increase (9.0% Decreasing to 6.0%)
Net OPEB liability (asset)	\$ <u>(252,978)</u>	\$ <u>(69,090)</u>	\$ <u>149,156</u>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*** - For the year ended December 31, 2019, the Township recognized OPEB expense of \$73,997. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,448	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>26,456</u>	<u>-</u>
	\$ <u>49,904</u>	\$ <u>-</u>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

<u>Year Ended</u> <u>December 31,</u>	
2020	\$ 12,626
2021	12,626
2022	12,626
2023	302
2024	2,931
Thereafter	8,793

**NOTE K - CONTINGENCIES**

The Township may be involved in various claims and legal actions arising during the normal course of business. As of the date of this report, the outcome and financial impact of any actions cannot be determined but is not expected to have a material effect on the Township's financial position.

**NOTE L - INTERFUND RECEIVABLES AND PAYABLES**

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

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Parks and Recreation	\$ 550,000
General Fund	Capital Projects Fund	154,100
General Fund	Payroll Fund	257,565
General Fund	Sewer Capital Fund	14,990
Capital Projects Fund	General Fund	26,666
Capital Projects Fund	Sewer Capital Fund	375,000
Parks and Recreation Fund	General Fund	31,048
Sewer Capital Fund	Capital Projects Fund	3,525,000
Sewer Revenue Fund	Sewer Capital Fund	195,379
		<u>\$ 5,129,748</u>

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, 2019 is \$3,025,000.

**UPPER PROVIDENCE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE L - INTERFUND RECEIVABLES AND PAYABLES (Continued)**

The remaining outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems and (3) payments between funds are made.

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sewer Revenue Fund	\$ 400,000
General Fund	Capital Projects Fund	5,000
Sewer Revenue Fund	General Fund	100,000
Sewer Capital Fund	Capital Projects Fund	225,000
Capital Projects Fund	General Fund	<u>1,565,925</u>
		<u>\$ 2,295,925</u>

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

**NOTE M - DEFINED CONTRIBUTION PENSION PLAN**

**Plan Description**

The Township administers a single employer defined contribution pension plan in which all non-uniform and fire full time employees are eligible to participate. The plan became effective on January 1, 2016 and provides retirement benefits to plan members and their beneficiaries. The Township is authorized with the Board of Supervisors to establish and amend all plan provisions.

**Contributions and Funding Policy**

The contribution requirements of the Township and plan members are established and may be amended by the Board of Supervisors. Plan members are not required to contribute to the plan. The Township is required to contribute 10% of covered earnings. The Township contributed \$70,902 for the year ended December 31, 2019.

**NOTE N - DEFINED CONTRIBUTION OTHER POST EMPLOYMENT BENEFIT PLAN**

The Township provides medical insurance benefits to eligible retired employees the non-uniform other postemployment benefit plan. The benefits, benefits level and employer contribution are administered by Township Supervisors and can be amended by the Township through its personnel manual and union contracts. The Township contributes \$750 per year of service for non-uniform employees. The plan does not issue a stand-alone financial report.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE O - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections and the collection of sewer and refuse charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Township having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have been in turmoil and have seen significant fluctuations in value since the beginning of the year. Any losses, if not regained, will have a significant detrimental impact on the value of the investments held by the Township's pension plans. Decreases in the value of investments held by the Plans will result in significant increases in the amount of the pension liabilities.

In June 2020, the Township entered into a grant agreement with the County of Montgomery. The County created a 25-year comprehensive plan to establish the Montco 2040: Implementation Grant Program to provide money to assist municipalities with projects that implement the goals of the comprehensive plan, Montco 2040: A Shared Vision. The County reserved funds of \$100,000 from the plan to provide financing to the Township for the Municipal Complex River Connector Trail Project. The Township shall substantially complete the project by June 2022.

In August 2020, the Township Supervisors authorized the incurrence of debt by the issuance of general obligation bonds, in one or more series, in an aggregate principal amount not to exceed \$12,000,000 for the purpose of providing funds for a refinancing program, capital projects and paying the costs of issuing the bonds. Payments begin May 1, 2021, with principal and interest due every May 1<sup>st</sup> through May 1, 2032. Interest only payments begin November 1, 2021, and end May 1, 2032.

**NOTE P - PRIOR PERIOD ADJUSTMENT**

As of January 1, 2019, the Township reported amounts previously reported on the government-wide statement of net position as reconciling items in cash accounts related to the previous year. The restatement increased cash accounts by \$36,754 and resulted in a restatement by decreasing the beginning government-wide net position from \$63,959,674 to \$63,921,414. Restatement of the Sewer Revenue Fund balance increased from \$2,582,797 to \$2,584,303. Restatement of Capital Projects Fund balance decreased from (\$1,309,382) to (\$1,284,441). Restatement of General Fund balance decreased from \$11,784,004 to \$11,720,802.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER PROVIDENCE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes				
Real estate	\$ 2,547,500	\$ 2,547,500	\$ 2,610,912	\$ 63,412
Per capita				
Delinquent	3,000	3,000	1,557	(1,443)
Real estate transfer	1,000,000	1,000,000	1,224,961	224,961
Earned income	9,200,000	9,200,000	10,882,032	1,682,032
Local services tax	850,000	850,000	957,718	107,718
Licenses and permits	541,000	541,000	594,258	53,258
Fines and forfeits	99,250	99,250	88,301	(10,949)
Interest and rents	130,000	130,000	280,819	150,819
Intergovernmental	716,845	716,845	857,637	140,792
Charges for services	1,563,500	1,563,500	1,151,001	(412,499)
Contributions	14,000	14,000	37,804	23,804
Miscellaneous	104,905	104,905	144,426	39,521
<b>TOTAL REVENUES</b>	<b>16,770,000</b>	<b>16,770,000</b>	<b>18,831,426</b>	<b>2,061,426</b>
<b>EXPENDITURES</b>				
General government	1,724,198	1,724,198	1,911,381	(187,183)
Public safety	9,484,319	9,484,319	9,186,367	297,952
Public works				
Sanitation	104,304	104,304	112,810	(8,506)
Highways and streets	2,961,558	2,961,558	3,044,378	(82,820)
Culture and recreation	1,046,656	1,046,656	887,983	158,673
Miscellaneous	43,040	43,040	97,076	(54,036)
<b>TOTAL EXPENDITURES</b>	<b>15,364,075</b>	<b>15,364,075</b>	<b>15,239,995</b>	<b>124,080</b>
<b>EXCESS OF</b>				
<b>REVENUES</b>				
<b>OVER EXPENDITURES</b>	<b>1,405,925</b>	<b>1,405,925</b>	<b>3,591,431</b>	<b>2,185,506</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	400,000	400,000	405,000	5,000
Interfund transfers out	(1,805,925)	(1,805,925)	(1,665,925)	140,000
<b>TOTAL OTHER FINANCING</b>				
<b>SOURCES (USES)</b>	<b>(1,405,925)</b>	<b>(1,405,925)</b>	<b>(1,260,925)</b>	<b>145,000</b>
<b>NET CHANGE IN FUND</b>				
<b>BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,330,506</b>	<b>\$ 2,330,506</b>
<b>FUND BALANCES AT BEGINNING OF</b>				
<b>YEAR</b>			<b>11,720,803</b>	
<b>FUND BALANCES AT END</b>				
<b>OF YEAR</b>			<b>\$ 14,051,309</b>	

*See accompanying note to the budgetary comparison schedule.*

## UPPER PROVIDENCE TOWNSHIP

### NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2019

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#### NOTE A - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2019, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

General Government	\$ (187,183)
Public works	
Sanitation	(8,506)
Highways and streets	(82,820)
Miscellaneous	(54,036)

These excess expenditures were offset against favorable variances in other expenditure areas of the budget.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 500,791	\$ 473,537	\$ 463,452	\$ 396,226	\$ 387,825	\$ 284,568
Interest	966,680	894,727	814,637	744,946	652,652	615,930
Changes of benefit terms		-	-	-	-	-
Differences between expected and actual experience	(578,361)	(23,237)	20,217	37,499	49,856	108,805
Changes of assumptions	-	-	-	-	421,577	-
Benefit payments	(585,289)	(240,524)	(240,542)	(392,847)	(186,598)	(656,573)
NET CHANGE IN TOTAL PENSION LIABILITY	303,821	1,104,503	1,057,764	785,824	1,325,312	352,730
Total pension liability, beginning	12,680,924	11,576,421	10,518,639	9,732,815	8,407,503	8,054,773
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 12,984,745</b>	<b>\$ 12,680,924</b>	<b>\$ 11,576,403</b>	<b>\$ 10,518,639</b>	<b>\$ 9,732,815</b>	<b>\$ 8,407,503</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions, employer	\$ 701,000	\$ 829,078	\$ 572,772	\$ 550,812	\$ 572,828	\$ 455,099
Contributions-member	69,940	-	9,734	-	-	-
Net investment income	2,024,858	(593,129)	1,215,081	391,914	(197,384)	96,167
Benefit payments, including refunds of member contributions	(585,289)	(240,524)	(240,524)	(392,847)	(186,598)	(656,573)
Administrative expense	(37,866)	(34,818)	(30,868)	(21,165)	(12,150)	(9,425)
Other	-	-	-	-	-	(20,828)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,172,643	(39,393)	1,526,195	528,714	176,696	(135,560)
Plan fiduciary net position, beginning	9,515,275	9,554,668	8,028,473	7,499,759	7,323,063	7,458,623
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 11,687,918</b>	<b>\$ 9,515,275</b>	<b>\$ 9,554,668</b>	<b>\$ 8,028,473</b>	<b>\$ 7,499,759</b>	<b>\$ 7,323,063</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 1,296,827</b>	<b>\$ 3,165,649</b>	<b>\$ 2,021,735</b>	<b>\$ 2,490,166</b>	<b>\$ 2,233,056</b>	<b>\$ 1,084,440</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>90.01%</b>	<b>75.04%</b>	<b>82.54%</b>	<b>76.33%</b>	<b>77.06%</b>	<b>87.10%</b>
<b>COVERED PAYROLL</b>	<b>\$ 3,375,636</b>	<b>\$ 3,241,642</b>	<b>\$ 3,177,170</b>	<b>\$ 2,871,440</b>	<b>\$ 2,632,396</b>	<b>\$ 2,142,334</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>38.42%</b>	<b>97.66%</b>	<b>63.63%</b>	<b>86.72%</b>	<b>84.83%</b>	<b>50.62%</b>

**NOTES TO SCHEDULE**

*Changes of Assumptions:* In 2015, the discount rate was changed from 8.0% to 7.5%

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 691,571	\$ 736,721	\$ 572,772	\$ 501,532	\$ 472,828	\$ 455,099
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	770,940	829,078	572,772	550,812	572,828	455,099
CONTRIBUTION (EXCESS) DEFICIENCY	\$ (79,369)	\$ (92,357)	\$ -	\$ (49,280)	\$ (100,000)	\$ -
COVERED PAYROLL	\$ 3,375,636	\$ 3,241,642	\$ 3,177,170	\$ 2,871,440	\$ 2,632,396	\$ 2,142,334
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	20.49%	22.73%	18.03%	17.47%	17.96%	21.24%

**NOTES TO SCHEDULE**

Valuation date: January 1, 2019 January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	11 years	9 years	10 years
Asset valuation method	Market value	Market value	Market value
Inflation	3%	3%	3%
Salary increases	5.0%, average, including inflation	5.0%, average, including inflation	5.0%, including inflation
Investment rate of return	7.5%	7.5%	8.0%
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Mortality	RP-2000 Table (Blue Collar) with Scale AA	RP-2000 Table (Blue Collar) with Scale AA	RP-2000 Table

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

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	<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 EXPENSE	<u>21.19%</u>	<u>-6.41%</u>	<u>15.04%</u>	<u>5.20%</u>	<u>-1.75%</u>	<u>1.22%</u>

**NOTE TO SCHEDULE**

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET**  
**FIREFIGHTERS' PENSION PLAN**  
**LIABILITY AND RELATED RATIOS**  
**LAST THREE FISCAL YEARS**

	2019	2018	2017
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 49,997	\$ 48,190	\$ 45,678
Interest	23,580	22,747	17,951
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(71,617)	-	-
Changes of assumptions	10,365	-	-
Benefit payments, including refunds of member contributions	-	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	12,325	70,937	63,629
Total pension liability, beginning	336,493	265,556	201,927
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 348,818</b>	<b>\$ 336,493</b>	<b>\$ 265,556</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions, employer	\$ 95,883	\$ 59,027	\$ 43,053
Net investment income	67,665	(20,195)	28,540
Administrative expense	(3,285)	(6,753)	(1,283)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	160,263	32,079	70,310
Plan fiduciary net position, beginning	262,512	230,433	160,123
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 422,775</b>	<b>\$ 262,512</b>	<b>\$ 230,433</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ (73,957)</b>	<b>\$ 73,981</b>	<b>\$ 35,123</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>121.20%</b>	<b>78.0%</b>	<b>86.8%</b>
<b>COVERED PAYROLL</b>	<b>\$ 332,489</b>	<b>\$ 311,912</b>	<b>\$ 351,928</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>-22.24%</b>	<b>23.7%</b>	<b>10.0%</b>

**NOTES TO SCHEDULE**

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

The January 1, 2017 beginning balance was transferred from the Non-uniform Pension Plan in 2017.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF FIREFIGHTERS'**  
**PENSION PLAN CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

		<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$	49,701	\$ 56,306	\$ 38,053
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION		<u>95,883</u>	<u>59,027</u>	<u>43,053</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$	<u>(46,182)</u>	<u>\$ (2,721)</u>	<u>\$ (5,000)</u>
COVERED PAYROLL	\$	<u>332,489</u>	<u>\$ 311,312</u>	<u>\$ 351,928</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL		<u>28.84%</u>	<u>18.96%</u>	<u>12.23%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2019

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	8 years
Asset valuation method	Fair value
Inflation	2.75%
Salary increases	5.5%, including inflation
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	RP-2000 Table

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF FIREFIGHTERS' PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST THREE FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>21.54%</u>	<u>-7.64%</u>	<u>16.20%</u>

**NOTE TO SCHEDULE**

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED**  
**EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 196,221	244,178	\$ 231,448	\$ 208,048	\$ 210,528	\$ 231,604
Interest	581,651	593,557	555,741	519,184	484,522	451,078
Differences between expected and actual experience	(581,629)	-	(28,083)	-	(77,520)	-
Changes of assumptions	-	-	244,506	-	-	-
Benefit payments, including refunds of member contributions	(405,741)	(340,159)	(218,592)	(301,754)	(130,184)	(115,673)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	(209,498)	497,576	785,020	425,478	487,346	567,009
Total pension liability, beginning	8,607,496	8,109,920	7,324,900	7,101,349	6,614,003	6,046,994
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 8,397,998</b>	<b>8,607,496</b>	<b>\$ 8,109,920</b>	<b>\$ 7,526,827</b>	<b>\$ 7,101,349</b>	<b>\$ 6,614,003</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions, employer	\$ 475,000	508,000	\$ 462,171	\$ 518,487	\$ 578,071	\$ 503,231
Net investment income	1,501,396	(450,705)	972,722	288,734	(46,128)	283,402
Benefit payments, including refunds of member contributions	(405,741)	(340,159)	(218,592)	(301,754)	(130,184)	(115,673)
Administrative expense	(26,429)	(32,182)	(24,753)	(33,832)	(39,303)	(29,410)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	1,544,226	(315,046)	1,191,548	471,635	362,456	641,550
Plan fiduciary net position, beginning	6,789,384	7,104,430	5,912,882	5,601,370	5,238,914	4,597,364
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 8,333,610</b>	<b>6,789,384</b>	<b>\$ 7,104,430</b>	<b>\$ 6,073,005</b>	<b>\$ 5,601,370</b>	<b>\$ 5,238,914</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 64,388</b>	<b>1,818,112</b>	<b>\$ 1,005,490</b>	<b>\$ 1,453,822</b>	<b>\$ 1,499,979</b>	<b>\$ 1,375,089</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>99.23%</b>	<b>78.9%</b>	<b>87.6%</b>	<b>80.7%</b>	<b>78.9%</b>	<b>79.2%</b>
<b>COVERED PAYROLL</b>	<b>\$ 1,236,553</b>	<b>1,452,267</b>	<b>\$ 1,466,467</b>	<b>\$ 2,145,038</b>	<b>\$ 2,305,168</b>	<b>\$ 1,968,721</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>5.2%</b>	<b>125.2%</b>	<b>68.6%</b>	<b>67.8%</b>	<b>65.1%</b>	<b>69.8%</b>

**NOTES TO SCHEDULE**

*Changes of Assumptions:* In 2017, the mortality rates were based on the RP-2014 Mortality Table. In prior years, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table.

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

The January 1, 2017 beginning balances included amounts that were transferred into the Firefighters Pension Plan in 2017

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF NON-UNIFORMED EMPLOYEES'**  
**PENSION PLAN CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 466,733	\$ 383,181	\$ 432,169	\$ 478,988	\$ 478,071	\$ 503,231
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	475,000	508,000	462,171	518,487	578,071	503,231
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (8,267)</u>	<u>\$ (124,819)</u>	<u>\$ (30,002)</u>	<u>\$ (39,499)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 1,236,553</u>	<u>\$ 1,452,267</u>	<u>\$ 1,466,467</u>	<u>\$ 2,145,038</u>	<u>\$ 2,305,168</u>	<u>\$ 1,968,721</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>38.41%</u>	<u>34.98%</u>	<u>31.52%</u>	<u>24.17%</u>	<u>25.08%</u>	<u>25.56%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2019 January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	6 years	8 years	10 years
Asset valuation method	Fair value	Fair value	Market value
Inflation	2.75%	2.75%	2.75%
Salary increases	5.5%, including inflation	5.5%, including inflation	5.5%, including inflation
Investment rate of return	7.25%	7.25%	7.25%
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Mortality	RP-2014 Table	RP-2000 Table	RP-2000 Table

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF NON-UNIFORMED EMPLOYEES'**  
**PENSION PLAN INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

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	<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 EXPENSE	<u>21.48%</u>	<u>-8.36%</u>	<u>16.09%</u>	<u>5.20%</u>	<u>-0.82%</u>	<u>6.14%</u>

**NOTE TO SCHEDULE**

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE POLICE OTHER**  
**POSTEMPLOYMENT BENEFITS PLAN LIABILITY**  
**AND RELATED RATIOS**  
**LAST THIRD FISCAL YEARS**

	2019	2018	2017
TOTAL OPEB LIABILITY			
Service cost	\$ 59,580	\$ 57,437	\$ 57,076
Interest	62,571	57,616	55,959
Differences between expected and actual experience	3,312	41,773	(26,678)
Benefit payments	(30,655)	(89,120)	(18,006)
NET CHANGE IN TOTAL OPEB LIABILITY	94,808	67,706	68,351
TOTAL OPEB LIABILITY, BEGINNING	1,207,158	1,139,452	1,071,101
TOTAL OPEB LIABILITY, ENDING (a)	\$ 1,301,966	\$ 1,207,158	\$ 1,139,452
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ -	\$ 533,700	\$ -
Net investment income	78,658	(5,601)	102,557
Benefit payments, including refunds of member contributions	(30,655)	(89,120)	(18,006)
Administrative expense	(4,993)	(17,896)	(7,954)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	43,010	421,083	76,597
Plan fiduciary net position, beginning	1,328,046	906,963	830,366
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 1,371,056	\$ 1,328,046	\$ 906,963
NET OPEB LIABILITY (asset), ENDING (a)-(b)	\$ (69,090)	\$ (120,888)	\$ 232,489
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY (asset)	105.31%	110.01%	79.60%
COVERED PAYROLL	\$ 3,375,636	\$ 3,214,892	\$ 3,273,522
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-2.05%	-3.76%	7.10%

**NOTE TO SCHEDULE**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP**  
**SCHEDULE OF POLICE OTHER POSTEMPLOYMENT**  
**BENEFITS PLAN CONTRIBUTIONS**  
**LAST THIRD FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 52,954	\$ -	\$ -
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>-</u>	<u>533,700</u>	<u>-</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>52,954</u>	\$ <u>(533,700)</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>3,375,636</u>	\$ <u>3,214,892</u>	\$ <u>3,273,522</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>1.57%</u>	<u>16.60%</u>	<u>0.00%</u>

**NOTES TO SCHEDULE**

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age
Amortization method	Percentage of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value
Salary increases	None assumed
Investment rate of return	5.00%
Mortality	RP-2000 Combined (Blue Collar) Mortality Table
Healthcare cost trend rates	8% decreasing to 5%

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**UPPER PROVIDENCE TOWNSHIP****SCHEDULE OF POLICE OTHER POSTEMPLOYMENT****BENEFITS PLAN INVESTMENT RETURNS****LAST THIRD FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.59%</u>	<u>-2.22%</u>	<u>12.12%</u>

**NOTE TO SCHEDULE**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.