

**NETHER PROVIDENCE TOWNSHIP
DELAWARE COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Fiscal Year Ended December 31, 2020

NETHER PROVIDENCE TOWNSHIP
DELAWARE COUNTY, PENNSYLVANIA

For the Fiscal Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Township Commissioners
Nether Providence Township, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified accrual basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nether Providence Township, Pennsylvania, as of and for the year ended December 31, 2020, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting as described in Note A; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Nether Providence Township, Pennsylvania, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and grant fund for the year then ended in accordance with the modified accrual basis of accounting as described in Note A.

Basis of Accounting

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

Other Matters

Required Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Nether Providence Township, Pennsylvania's basic financial statements. The historical trend information listed in the table of contents is 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 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.

Management has omitted the Management Discussion and Analysis that supplements the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2022, on our consideration of the Nether Providence Township, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nether Providence Township, Pennsylvania's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Nether Providence Township, Pennsylvania's internal control over financial reporting and compliance.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
April 20, 2022

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION – MODIFIED ACCRUAL BASIS

December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,101,155	\$ 1,606,355	\$ 4,707,510
Receivables	510,334	138,597	648,931
Prepaid expenses	68,312	-	68,312
Total Assets	<u>3,679,801</u>	<u>1,744,952</u>	<u>5,424,753</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	396,303	1,076,862	1,473,165
Interfund balances	<u>1,567,954</u>	<u>(1,567,954)</u>	<u>-</u>
Total Liabilities	<u>1,964,257</u>	<u>(491,092)</u>	<u>1,473,165</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue - property taxes	79,673	-	79,673
Deferred revenue - drug forfeiture	<u>58,890</u>	<u>-</u>	<u>58,890</u>
Total Deferred Inflows of Resources	<u>138,563</u>	<u>-</u>	<u>138,563</u>
<u>NET POSITION</u>			
Restricted:			
Police	4,976		4,976
Streets and highways	116,429		116,429
Community enhancement	222,565		222,565
Unrestricted	<u>1,233,011</u>	<u>2,236,044</u>	<u>3,469,055</u>
Total Net Position	<u>1,576,981</u>	<u>2,236,044</u>	<u>3,813,025</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 3,679,801</u>	<u>\$ 1,744,952</u>	<u>\$ 5,424,753</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS

For the Year Ended December 31, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 943,558	\$ 40,554	\$ 222,488	\$ -	\$ (680,516)	\$ -	\$ (680,516)
Public safety	3,328,717	459,369	137,187	-	(2,732,161)	-	(2,732,161)
Health and human services	2,285	-	-	-	(2,285)	-	(2,285)
Public works	1,776,958	337,627	182,349	452,567	(804,415)	-	(804,415)
Parks and recreation	168,176	-	-	-	(168,176)	-	(168,176)
Community enhancement	2,135,912	-	-	1,283,233	(852,679)	-	(852,679)
Miscellaneous	1,082,297	-	-	-	(1,082,297)	-	(1,082,297)
Debt service interest	466,980	-	-	-	(466,980)	-	(466,980)
Total Governmental Activities	<u>9,904,883</u>	<u>837,550</u>	<u>542,024</u>	<u>1,735,800</u>	<u>(6,789,509)</u>	<u>-</u>	<u>(6,789,509)</u>
Business - Type Activities							
Sewer	<u>2,826,773</u>	<u>3,281,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,511</u>	<u>454,511</u>
Total Business - Type Activities	<u>2,826,773</u>	<u>3,281,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,511</u>	<u>454,511</u>
Total Primary Government	<u>\$ 12,731,656</u>	<u>\$ 4,118,834</u>	<u>\$ 542,024</u>	<u>\$ 1,735,800</u>	<u>\$ (6,789,509)</u>	<u>\$ 454,511</u>	<u>\$ (6,334,998)</u>
General Revenues							
Taxes							
Real estate taxes					4,928,421	-	4,928,421
Real estate transfer tax					413,101	-	413,101
Other taxes					156,722	-	156,722
Franchise fees					285,007	-	285,007
Interest and rents					29,896	3,857	33,753
Miscellaneous revenues					133,553	552	134,105
Issuance of long term notes					1,000,000	-	1,000,000
Transfers					(15,280)	15,280	-
Total General Revenues and Transfers					<u>6,931,420</u>	<u>19,689</u>	<u>6,951,109</u>
Change in Net Position					141,911	474,200	616,111
Net Position - Beginning					<u>1,435,070</u>	<u>1,761,844</u>	<u>3,196,914</u>
Net Position - Ending					<u>\$ 1,576,981</u>	<u>\$ 2,236,044</u>	<u>\$ 3,813,025</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

	General	Grant	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,152,589	\$ 89,324	\$ 859,242	\$ 3,101,155
Receivables	312,220	139,132	58,982	510,334
Prepaid items	68,312	-	-	68,312
Due from other funds	-	-	9,817	9,817
Total Assets	<u>\$ 2,533,121</u>	<u>\$ 228,456</u>	<u>\$ 928,041</u>	<u>\$ 3,689,618</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 259,809	\$ 108,952	\$ 27,542	\$ 396,303
Due to other funds	976,927	186,847	413,997	1,577,771
Total Liabilities	<u>1,236,736</u>	<u>295,799</u>	<u>441,539</u>	<u>1,974,074</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	79,673	-	-	79,673
Unavailable revenue - drug forfeitures	-	-	58,890	58,890
Total Deferred Inflows of Resources	<u>79,673</u>	<u>-</u>	<u>58,890</u>	<u>138,563</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid items	68,312	-	-	68,312
Restricted:				
Police	-	-	4,976	4,976
Streets and highways	-	-	116,429	116,429
Community enhancement	-	-	222,565	222,565
Assigned to capital projects	-	-	104,825	104,825
Unassigned	1,148,400	(67,343)	(21,183)	1,059,874
Total Fund Balances	<u>1,216,712</u>	<u>(67,343)</u>	<u>427,612</u>	<u>1,576,981</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,533,121</u>	<u>\$ 228,456</u>	<u>\$ 928,041</u>	<u>\$ 3,689,618</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

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

For the Year Ended December 31, 2020

	General	Grant	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 4,928,421	\$ -	\$ -	\$ 4,928,421
Real estate transfer	413,101	-	-	413,101
Other	156,722	-	-	156,722
Fees, licenses and permits	289,356	-	-	289,356
Fines and forfeitures	20,063	-	33,913	53,976
Investment income and rent	22,461	701	6,734	29,896
Intergovernmental revenues	579,960	1,092,343	414,631	2,086,934
Charges for services	779,225	-	-	779,225
Other	131,753	-	192,690	324,443
Total Revenues	<u>7,321,062</u>	<u>1,093,044</u>	<u>647,968</u>	<u>9,062,074</u>
Expenditures				
Current:				
General government	940,133	-	3,425	943,558
Public safety	3,257,564	-	75,738	3,333,302
Health and human services	2,285	-	-	2,285
Public works	1,368,390	-	403,983	1,772,373
Culture and recreation	159,346	-	8,830	168,176
Community enhancement	10,827	1,383,303	741,782	2,135,912
Employee benefits and insurance	1,082,297	-	-	1,082,297
Debt service:				
Principal	387,418	-	-	387,418
Interest	74,562	-	-	74,562
Paid to fiscal agent	5,000	-	-	5,000
Total Expenditures	<u>7,287,822</u>	<u>1,383,303</u>	<u>1,233,758</u>	<u>9,904,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>33,240</u>	<u>(290,259)</u>	<u>(585,790)</u>	<u>(842,809)</u>
Other Financing Sources (Uses)				
Issuance of long term notes	1,000,000	-	-	1,000,000
Transfers in	-	121,495	136,500	257,995
Transfers out	<u>(273,275)</u>	<u>-</u>	<u>-</u>	<u>(273,275)</u>
Total Other Financing Sources (Uses)	<u>726,725</u>	<u>121,495</u>	<u>136,500</u>	<u>984,720</u>
Net Change in Fund Balance	759,965	(168,764)	(449,290)	141,911
Fund Balance - Beginning	<u>456,747</u>	<u>101,421</u>	<u>876,902</u>	<u>1,435,070</u>
Fund Balance - Ending	<u>\$ 1,216,712</u>	<u>\$ (67,343)</u>	<u>\$ 427,612</u>	<u>\$ 1,576,981</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate taxes	\$ 4,947,561	\$ 4,947,561	\$ 4,928,421	\$ (19,140)
Real estate transfer	430,000	430,000	413,101	(16,899)
Other	167,500	167,500	156,722	(10,778)
Fees, licenses and permits	322,000	322,000	289,356	(32,644)
Fines and forfeitures	30,000	30,000	20,063	(9,937)
Investment income and rent	50,800	50,800	22,461	(28,339)
Intergovernmental revenues	385,371	385,371	579,960	194,589
Charges for services	660,063	660,063	779,225	119,162
Other	95,907	95,907	131,753	35,846
Total Revenues	<u>7,089,202</u>	<u>7,089,202</u>	<u>7,321,062</u>	<u>231,860</u>
Expenditures				
Current:				
General government	866,315	866,315	940,133	(73,818)
Public safety	3,289,720	3,289,720	3,257,564	32,156
Health and human services	1,600	1,600	2,285	(685)
Public works	1,378,103	1,378,103	1,368,390	9,713
Culture and recreation	159,870	159,870	159,346	524
Community enhancement	3,000	3,000	10,827	(7,827)
Employee benefits and insurance	1,116,382	1,116,382	1,082,297	34,085
Debt service	479,956	479,956	466,980	12,976
Total Expenditures	<u>7,294,946</u>	<u>7,294,946</u>	<u>7,287,822</u>	<u>7,124</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(205,744)</u>	<u>(205,744)</u>	<u>33,240</u>	<u>238,984</u>
Other Financing Sources (Uses)				
Issuance of long term notes	-	-	1,000,000	1,000,000
Transfers in	434,569	434,569	-	(434,569)
Transfers out	<u>(228,825)</u>	<u>(228,825)</u>	<u>(273,275)</u>	<u>(44,450)</u>
Total Other Financing Sources (Uses)	<u>205,744</u>	<u>205,744</u>	<u>726,725</u>	<u>520,981</u>
Net Change in Fund Balance			759,965	759,965
Fund Balance - Beginning			456,747	456,747
Fund Balance - Ending			<u>\$ 1,216,712</u>	<u>\$ 1,216,712</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

GRANT FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

	GRANT FUND			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ 2,500	\$ 2,500	\$ 701	\$ (1,799)
Intergovernmental revenues	<u>2,869,949</u>	<u>2,869,949</u>	<u>1,092,343</u>	<u>(1,777,606)</u>
Total Revenues	<u>2,872,449</u>	<u>2,872,449</u>	<u>1,093,044</u>	<u>(1,779,405)</u>
Expenditures				
Current:				
Community enhancement	<u>2,995,093</u>	<u>2,995,093</u>	<u>1,383,303</u>	<u>1,611,790</u>
Total Expenditures	<u>2,995,093</u>	<u>2,995,093</u>	<u>1,383,303</u>	<u>1,611,790</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(122,644)</u>	<u>(122,644)</u>	<u>(290,259)</u>	<u>(167,615)</u>
Other Financing Sources (Uses)				
Transfers in	<u>125,197</u>	<u>125,197</u>	<u>121,495</u>	<u>(3,702)</u>
Total Other Financing Sources (Uses)	<u>125,197</u>	<u>125,197</u>	<u>121,495</u>	<u>(3,702)</u>
Net Change in Fund Balance	2,553	2,553	(168,764)	(171,317)
Fund Balance - Beginning			<u>101,421</u>	<u>101,421</u>
Fund Balance - Ending			<u>\$ (67,343)</u>	<u>\$ (69,896)</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION
PROPRIETARY FUNDS – MODIFIED ACCRUAL BASIS

December 31, 2020

	<u>Sewer Fund</u>	<u>Sewer Capital</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 1,466,777	\$ 139,578	\$ 1,606,355
Accounts receivable	138,597	-	138,597
Due from other funds	<u>1,000,432</u>	<u>567,522</u>	<u>1,567,954</u>
Total Assets	<u>\$ 2,605,806</u>	<u>\$ 707,100</u>	<u>\$ 3,312,906</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	<u>\$ 1,074,423</u>	<u>\$ 2,439</u>	<u>\$ 1,076,862</u>
Total Current Liabilities	<u>1,074,423</u>	<u>2,439</u>	<u>1,076,862</u>
<u>NET POSITION</u>			
Unrestricted	<u>1,531,383</u>	<u>704,661</u>	<u>2,236,044</u>
Total Net Position	<u>1,531,383</u>	<u>704,661</u>	<u>2,236,044</u>
 Total Liabilities and Net Position	 <u>\$ 2,605,806</u>	 <u>\$ 707,100</u>	 <u>\$ 3,312,906</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - MODIFIED ACCRUAL BASIS

For the Year Ended December 31, 2020

	Sewer Fund	Sewer Capital	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 3,281,284	\$ -	\$ 3,281,284
Total Operating Revenues	<u>3,281,284</u>	<u>-</u>	<u>3,281,284</u>
Operating Expenses			
Solid waste collection and disposal	2,695,123	106,565	2,801,688
Total Operating Expenses	<u>2,695,123</u>	<u>106,565</u>	<u>2,801,688</u>
Operating Income (Loss)	<u>586,161</u>	<u>(106,565)</u>	<u>479,596</u>
Nonoperating Revenues (Expense)			
Interest income	1,830	2,027	3,857
Interest expense	(2,503)	-	(2,503)
Principal debt	(22,582)	-	(22,582)
Other revenue	552	-	552
Total Nonoperating Revenues (Expense)	<u>(22,703)</u>	<u>2,027</u>	<u>(20,676)</u>
Income (Loss) before Transfers	563,458	(104,538)	458,920
Transfers in	500,000	15,280	515,280
Transfers out	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>
Changes in Net Position	1,063,458	(589,258)	474,200
Total Net Position - Beginning	<u>467,925</u>	<u>1,293,919</u>	<u>1,761,844</u>
Total Net Position - Ending	<u>\$ 1,531,383</u>	<u>\$ 704,661</u>	<u>\$ 2,236,044</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – MODIFIED ACCRUAL BASIS

For the Year Ended December 31, 2020

	Proprietary Fund Types		
	Sewer Fund	Sewer Capital Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 3,322,783	\$ -	\$ 3,322,783
Cash paid to suppliers	(3,744,674)	(57,963)	(3,802,637)
Net cash provided by (used in) operating activities	(421,891)	(57,963)	(479,854)
Cash flows from noncapital financing activities			
Transfers (to)/from other funds	500,000	(484,720)	15,280
Net cash provided by (used in) noncapital financing activities	500,000	(484,720)	15,280
Cash flows from investing activities			
Earnings on investments	1,830	2,027	3,857
Interest expense	(2,503)	-	(2,503)
Other revenue	552	-	552
Principal paid on debt	(22,582)	-	(22,582)
Net cash provided by (used in) investing activities	(22,703)	2,027	(20,676)
Net increase (decrease) in cash and cash equivalents	55,406	(540,656)	(485,250)
Beginning cash and cash equivalents	1,411,371	680,234	2,091,605
Ending cash and cash equivalents	\$ 1,466,777	\$ 139,578	\$ 1,606,355

**Reconciliation of Net Operating Income (Loss)
to Net Cash Provided (Used) by Operating Activities**

Net operating income (loss)	\$ 586,161	\$ (106,565)	\$ 479,596
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Changes in assets and liabilities			
(Increase) decrease in receivables	41,499	-	41,499
(Increase) decrease in due from other funds	(1,099,207)	46,258	(1,052,949)
Increase (decrease) in payables	49,656	2,344	52,000
Net adjustments	(1,008,052)	48,602	(959,450)
Cash provided (used) by operating activities	\$ (421,891)	\$ (57,963)	\$ (479,854)

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – MODIFIED ACCRUAL BASIS

December 31, 2020

	Pension Trust Funds	Custodial Funds Escrows
<u>ASSETS</u>		
Cash and cash equivalents	\$ 809,418	\$ 98,447
Investments, at fair value:		
Exchange traded	<u>14,667,943</u>	<u>-</u>
Total Assets	<u>\$ 15,477,361</u>	<u>\$ 98,447</u>
 <u>LIABILITIES</u>		
Accounts payable	<u>\$ 13,194</u>	<u>\$ -</u>
Total Liabilities	<u>13,194</u>	<u>-</u>
 <u>NET POSITION</u>		
Net Position - Restricted for:		
Pension benefits	15,464,167	-
Developers and others	<u>-</u>	<u>98,447</u>
Total Net Position	<u>\$ 15,464,167</u>	<u>\$ 98,447</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – MODIFIED ACCRUAL BASIS

For the Year Ended December 31, 2020

	Pension <u>Trust Funds</u>	Custodial Funds <u>Escrows</u>
Additions		
Contributions		
Employee contributions	\$ 131,294	\$ -
Employer contributions	528,630	-
State aid	216,649	-
Escrow receipts	-	22,539
Total Contributions	<u>876,573</u>	<u>22,539</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	1,652,494	-
Interest and dividend income	<u>280,960</u>	<u>474</u>
Total Investment Earnings	1,933,454	474
Less investment expense	<u>(45,835)</u>	<u>-</u>
Net Investment Income	<u>1,887,619</u>	<u>474</u>
Total Additions	<u>2,764,192</u>	<u>23,013</u>
Deductions		
Benefits	444,541	-
Administrative expenses	12,629	-
Escrow disbursements	<u>-</u>	<u>-</u>
Total Deductions	<u>457,170</u>	<u>-</u>
Change in Net Position	2,307,022	23,013
Net Position - Restricted for Pension Benefits:		
Beginning of Year	<u>13,157,145</u>	<u>75,434</u>
End of Year	<u>\$ 15,464,167</u>	<u>\$ 98,447</u>

The notes to the financial statements are an integral part of this statement.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies

The Township of Nether Providence (the “Township”), located in Delaware County, Pennsylvania, is classified as a “Township” under the laws of the Commonwealth of Pennsylvania. The major services provided by the Township include public safety, roads, parks and recreation and general administration. The financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying basic financial statements.

Reporting Entity

The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization’s board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Based on the aforementioned criteria, there were no entities which were considered for inclusion in the reporting entity.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities, such as Pension and Custodial Funds.

The government-wide financial statements are prepared using the modified accrual basis of accounting and the current financial resources measurement focus. This is the same approach used in the preparation of the Governmental Funds financial statements, as described below.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

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

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

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. The two major Governmental Funds are each presented in a single column on the Governmental Funds financial statements. Fiduciary Funds financial statements are presented by fund type.

The Township reports the following major Governmental Funds:

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

The *Grant Fund* is used to account for receipts of grant revenue that are legally restricted to expenditures for capital improvements.

The Township reports the following major proprietary funds:

The *Sewer Fund* accounts for the financial resources to provide sewer services to the Township residents.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (continued)

The *Sewer Capital Fund* accounts for the financial resources to be used for planned capital improvements.

Other Fund types:

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

Capital Projects Funds are used to account for financial resources to be used for planned capital expenditure.

Trust Funds are used to account for assets held by the Township in a trustee capacity or as agent. A trust fund is used when the period of custody is lengthy, and the governmental unit invests or otherwise manages the resources during that period. The Township maintains a Pension Trust Fund for the Police Pension Plan and Non-Uniformed Pension Plan. Pension Trust Funds use the economic resources measurement focus in essentially the same manner as Proprietary Funds.

Custodial Funds are used to account for escrows held by the Township in a custodial capacity.

Governmental Funds - All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Township include the General Fund and the Capital Reserve Fund. All other Governmental Funds are grouped together and presented in a separate column as Total Nonmajor Funds. The Highway Aid Fund is reported as nonmajor.

Revenue Recognition - In applying the “susceptible to accrual concept” under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period.

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Property tax receivables collected after 60 days from year-end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain Governmental Funds liabilities and expenditures, such as compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Funds - Proprietary Funds are accounted for using the modified accrual basis of accounting. These funds account for operations financed primarily by user charges. The current resource focus concerns determining costs as a means of maintaining capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred within 60 days after year end. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Funds. The Township's only Proprietary Funds are the Sewer and Sewer Capital Funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the Township's Proprietary Funds are user fees. Operating expenses for the Township's Proprietary Funds include sewer disposal, salaries, recycling, supplies and administrative costs and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Fiduciary Funds - Trust Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Funds. The Pension Funds account for the activities of the Police Pension Fund. Pension Funds are accounted for in essentially the same manner as Proprietary Funds since the measurement of the economic resources is critical.

Budgets and Budgetary Accounting - The Township follows these procedures in establishing the budgetary data reflected in the financial statements. The Township Manager submits to the Township Commissioners a proposed operating budget for the fiscal year commencing the following:

1. Through November, the operating budget is prepared, including proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments after two weeks' notice is given in some newspaper(s) having a general circulation within the Township.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance.
4. The budget ordinance becomes effective January 1, and provides spending authority for the operating of the Township governments.
5. Transfers and appropriations between functions require approval of the Township Commissioners.
6. At year-end, as permitted by Township Code, a budget variance resolution is passed which may transfer unexpended appropriations of one department to another department with over expended appropriations. In addition, excess revenues may be appropriated to cover exhausted funds.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds, which are budgeted together as the General Fund budget. This budgeting method results in a non-GAAP presentation.

Budgetary control is maintained at the fund and department level. As permitted by the Township Code, Township Commissioners passed a budget variance resolution which authorized the transfer of unexpended appropriations of one department to another department with over expended appropriations. In addition, excess revenues and available fund balance were also appropriated to cover exhausted funds. In addition, excess revenues and available fund balance were also appropriated to cover exhausted funds. The result is that there are no budgetary violations.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (continued)

Excess of expenditures over appropriations - For the year ended December 31, 2020, expenditures exceeded budget in the General Fund in the categories of general government, health and human services, and community enhancement in the amounts of \$73,818, \$685, and \$7,827, respectively. The excess expenditures were funded by greater than anticipated revenues and fund balance.

Deficit fund balance - For the year ended December 31, 2020, the Grant Fund, Highway Capital Fund, and Police Office Equipment Fund had a deficit fund balance of (\$67,343), (\$20,080), and (\$1,103), respectively. The deficit balances will be funded by future revenues and transfers.

Cash and Cash Equivalents - The Township considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents. All investments of the Township are stated at fair value.

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

At December 31, 2020, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is insignificant and therefore is not included in outstanding property taxes at December 31, 2020.

Real Estate Tax, Sewer and Recycling Assessments - Real estate taxes, sewer, and recycling assessments attach as an enforceable lien on property as of January 1, are levied on approximately February 1, and are payable under the following terms: 2% discount first 60 days, face amount next 60 days and a 10% penalty after 120 days. The elected Township Tax Collector, in accordance with state law governing Townships, collects and remits real estate tax and sewer receipts to the Township. A lien is attached on property in January of the following year for unpaid real estate taxes and assessments.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets and accumulated depreciation have not been valued.

Compensated Absences - Full-time permanent employees are granted vacation benefits in varying amounts depending on tenure with the Township. All full-time permanent employees are also entitled to sick leave benefits. Vacation benefits earned may be carried over from year to year. Vacation benefits carried over will be paid out at the time of separation or retirement.

Long-Term Obligations - Long-term debt and other long-term obligations are not reported as liabilities under the modified accrual basis of accounting. In the financial statements, funds would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial 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 the following items that qualify for reporting in this category:

1. *Change in assumptions* - A net difference results when actuarial assumptions are changed. This amount is deferred and amortized over a five-year period. Under modified accrual, this amount is excluded from the financial statements.

In addition to liabilities, the statement of financial 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.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

The Township has the following types of items that qualify for reporting in this category:

1. *Differences between expected and actual experience on plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under modified accrual, this amount is excluded from the financial statements.
2. *Net difference between projected and actual earnings on plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five-year period. Under modified accrual, this amount is excluded from the financial statements.
3. *Unavailable revenue - property taxes* are reported unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position - In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

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

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

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

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Fund Balance - Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, Township Commissioners. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Township Commissioners, may authorize the finance director to assign fund balance. The Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Program Revenues - Amounts reported as program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segments and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segments. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses - Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Fund is charges to customers for services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates - The preparation of the financial statements in conformity with the modified accrual basis requires the Township's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transfers - In connection with its operations, the Township affects a variety of transactions among funds to finance operations. The basic financial statements reflect such transactions as transfers, both in the fund receiving the subsidy as revenue and the fund paying the subsidy as an expenditure.

Subsequent Events - The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. Deposits and Investments

As stated in the Commonwealth of Pennsylvania Township Code P.L. 1656, No. 581, Section 1316, the Township may invest operating funds in the following instruments:

- Short-term obligations of the U.S. government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits.
- Obligations of the United States of America or any of its agencies backed by the full faith and credit of the United States of America, or of the Commonwealth of Pennsylvania or any of the agencies.
- Certificates of deposit purchased from institutions that meet requirements set forth under Pennsylvania law (Act 72 of 1971).
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for Township funds (mutual funds).

The Township may also invest with trusts and other entities set up to specifically invest funds for Pennsylvania municipalities and legally restricted to allowable investment instruments under Pennsylvania law.

Investments for the Township are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

Custodial Credit Risk - Deposits: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk policy generally permits investing in cash, debt obligations of the U.S. Treasury, agencies of the federal government, investment grade corporate securities, mutual funds of various risk levels and equities. The Township does not have a deposit policy for custodial credit risk. For disclosure purposes, deposits include checking, savings, demand and time deposits, and money market accounts at financial institutions. As of December 31, 2020, the Township's bank balance was \$5,374,774. Of that balance, \$3,045,960 was held in an investment pool that is not subject to custodial credit risk, and \$2,228,814 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. Deposits and Investments (Continued)

Investment Pool - The Township has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. The Township can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAm by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

Custodial Credit Risk - Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Township policy provides that investment collateral is held by the third-party custodian, with whom the Township has a custodial agreement, in the Township's name. The plan addresses custodial credit risk with a policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income as authorized, collects principal of sold, matured, or called items; and provides a periodic accounting to the Township and the plan's trustees. Also, the Township pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the Township does business with related to investment decisions. The investment portfolio is diversified so that potential losses on individual securities will be minimized.

Fair Value Measurements - The Township categorizes its fair value measurements within the 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 significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Maturity</u> <u>(Years)</u>	<u>S&P Rating</u>
GOVERNMENTAL ACTIVITIES					
Externally Pooled Investments (PLGIT)	\$ 3,045,929	\$ -	\$ 3,045,929	0	AAAm
	<u>\$ 3,045,929</u>	<u>\$ -</u>	<u>\$ 3,045,929</u>		
FIDUCIARY FUNDS					
Externally Pooled Investments (PLGIT)	\$ 333,598		\$ 333,598	0	AAAm
Exchange Traded Funds	14,667,943	14,667,943	-	Not applicable	Not applicable
	<u>\$ 15,001,541</u>	<u>\$ 14,667,943</u>	<u>\$ 333,598</u>		

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

B. Deposits and Investments (Continued)

Interest Rate Risk - is the risk that changes in interest rates will adversely affect an investment's value. In accordance with its investment policy, the Township invests operating funds primarily in short-term securities, money market mutual funds or similar investments. Also, the Township structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average maturities are disclosed in the chart on the previous page.

Concentration of Credit Risk - is the concentration of investments in anyone single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The Township's policy is to diversify the investment portfolio by security type and institution. No more than 50% of the Township's total investment portfolio managed by one investment manager will be invested in a single security type or with a single financial institution with the exception of US. Treasury Securities and authorized pools. At December 31, 2020, the Township had no investments that individually each exceeded 5% of the total investments.

Escrow cash deposits - The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. The funds are recorded in a Custodial Fund. At December 31, 2020, \$98,447 represents the balance of these monies held in escrow.

C. Receivables

Receivables for the year ended December 31, 2020 were as follows:

Receivables	General <u>Fund</u>	Grant <u>Fund</u>	Nonmajor <u>Funds</u>	Sewer <u>Fund</u>	Total
Accounts receivable	\$ 146,692	\$ -	\$ -	\$ 138,597	\$ 285,289
Taxes receivable	165,528	-	-	-	165,528
Grants receivable	-	139,132	-	-	139,132
Other receivables	-	-	58,982	-	58,982
	<u>\$ 312,220</u>	<u>\$ 139,132</u>	<u>\$ 58,982</u>	<u>\$ 138,597</u>	<u>\$ 648,931</u>

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

D. Interfund Receivables, Payables and Transfers

Interfund balances for the year ended December 31, 2020 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 976,927
Grant Fund	-	186,847
Nonmajor Funds	9,817	413,997
Sewer Fund	1,000,432	-
Sewer Capital Fund	<u>567,522</u>	<u>-</u>
Total	<u>\$ 1,577,771</u>	<u>\$ 1,577,771</u>

Interfund transfers were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$ 273,275
Grant Fund	121,495	-
Nonmajor Funds	136,500	-
Sewer Fund	500,000	-
Sewer Capital Fund	<u>15,280</u>	<u>500,000</u>
Total	<u>\$ 773,275</u>	<u>\$ 773,275</u>

Interfund activity is primarily the result of reimbursement of expenses, and for internal financing of special projects or transfers for future capital acquisitions.

E. Long-Term Debt

The Township obtains general obligation notes to provide funds for the acquisition and construction of major capital facilities, the purchase of land, and other capital projects.

The original amount of general obligation notes issued in prior years was \$8,139,000. General obligation notes are direct obligations and pledge the full faith and credit of the Township. These notes are generally issued as 3-15 year serial notes with varying amounts of principal maturing each year.

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Government-type activities	1.49% - 3.23%	\$ 3,531,281
Business-type activities	2.84% - 3.09%	<u>71,719</u>
		<u>\$ 3,603,000</u>

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

E. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
G.O. Note 2006	\$ 1,662,000	\$ -	\$ (220,000)	\$ 1,442,000	\$ 222,000
G.O. Note 2009	356,699	-	(85,418)	271,281	87,791
G.O. Note 2011	265,000	-	(34,000)	231,000	35,000
G.O. Note 2015	240,000	-	(19,000)	221,000	18,000
G.O. Note 2018	303,000	-	(18,000)	285,000	18,000
G.O. Note 2020	-	1,000,000	-	1,000,000	38,000
Subtotal	2,826,699	1,000,000	(376,418)	3,450,281	418,791
Notes payable	92,000	-	(11,000)	81,000	11,000
Compensated absences	736,261	22,771	-	759,032	-
Net pension liability	-	1,462,322	(1,462,322)	-	-
Governmental activity Long-term liabilities	<u>\$ 3,654,960</u>	<u>\$ 2,485,093</u>	<u>\$ (1,849,740)</u>	<u>\$ 4,290,313</u>	<u>\$ 429,791</u>
Business-type activities:					
G.O. Note 2009	\$ 94,301	\$ -	\$ (22,582)	\$ 71,719	\$ 23,209
Business-type activity Long-term liabilities	<u>\$ 94,301</u>	<u>\$ -</u>	<u>\$ (22,582)</u>	<u>\$ 71,719</u>	<u>\$ 23,209</u>

Debt service for general obligation bonds is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities.

Annual debt service requirements to maturity for bonds, loans and notes outstanding are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 429,791	\$ 93,082	\$ 23,209	\$ 1,845	\$ 453,000	\$ 94,927
2022	446,164	78,940	23,836	1,123	470,000	80,063
2023	462,326	64,245	24,674	378	487,000	64,623
2024	384,000	50,460	-	-	384,000	50,460
2025	399,000	37,606	-	-	399,000	37,606
2026-2030	766,000	85,698	-	-	766,000	85,698
2031-2035	340,000	39,018	-	-	340,000	39,018
2036-2040	304,000	13,872	-	-	304,000	13,872
Total	<u>\$ 3,531,281</u>	<u>\$ 462,921</u>	<u>\$ 71,719</u>	<u>\$ 3,346</u>	<u>\$ 3,603,000</u>	<u>\$ 466,267</u>

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. Defined Benefit Pension Plans

Plan Description and Membership

Nether Providence Township sponsors two single-employer defined benefit pension plans the Police Pension Plan and the Non-Uniformed Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and issue a compiled stand - alone financial report. The plans are administered by the Township.

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time uniformed police officers of the Township. An employee enters the plan on the date of hire.

The Police Pension Plan is governed by the Board of Commissioners which is responsible for the management of plan assets. All pension decisions are made by the Board of Commissioners and the Township Manager. The Fraternal Order of Police representative for the Police Department is also informed of decisions. The Board of Commissioners has delegated the authority to manage certain plan assets to CBIZ.

Non-Uniformed Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time non-uniformed employees of the Township who have met the eligibility requirements. A non-uniformed employee of the Township enters the plan on the date of their one-year anniversary as a full-time employee with the Township.

The Non-Uniformed Pension Plan is governed by the Board of Commissioners and the Township Manager, which is responsible for the management of plan assets. The Board of Commissioners has delegated the authority to manage certain plan assets to CBIZ.

The most recent valuation was as of January 1, 2019. Details below are from the valuation. Benefits and Contribution provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

At December 31, 2020, membership for Nether Providence Township Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	<u>Non-Uniformed</u>
Active plan members	15	12
Inactive members or beneficiaries		
currently receiving benefits	12	5
Inactive members entitles to but		
not yet receiving benefits	-	4
	<u>27</u>	<u>21</u>

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

Benefits Provided - Police Pension Plan - The Pension Plan provides retirement benefits as well as death and disability benefits. Employees who retire at or after age 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final-average salary. Final-average salary is the employee's total compensation over the last 36 months of credited service. Benefits are 100% vested after 12 years of service.

If an active member is killed in the line of duty before attaining retirement eligibility, the surviving spouse, or children under 18 (age 23 if attending college) if there is no spouse, shall receive 100% of salary plus return of contributions with interest if not service-related. If an active member is killed in the line of duty after attaining retirement eligibility, the above mentioned beneficiary would receive 50% of the accrued benefit.

Effective on each anniversary of retirement, a retiree will receive an increase in the monthly benefit equal to the percentage change in the CPI-W. The total of all increases may not exceed 20% of the retiree's original benefit nor may the sum of the retiree's benefit and all increases exceed 75% of Final Monthly Average Salary used to compute the original benefit.

Benefits Provided - Non-Uniformed Pension Plan - The Pension Plan provides retirement benefits as well as death and disability benefits. Employees who retire at or after age 65 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final-average salary. Final-average salary is the employee's total compensation over the last 36 months of credited service. Benefits are 100% vested after 10 years of service.

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred.

The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

Method Used to Value Investments: Pension Plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Police Pension Plan - Officers who are members in the Plan are required to contribute 5% of their annual compensation to the Plan. Contributions are determined on an annual basis. Administrative costs and investment costs of the Plan are financed through an addition to the Actuarially Determined Employer Contribution.

Non-Uniformed Pension Plan - Employees who are members in the Plan are required to contribute 3% of their salaries to the Plan. Contributions are determined on an annual basis. Administrative costs and investment costs of the Plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$216,649 for the pension for the year ended December 31, 2020.

Investments

Investment Policy: The Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Plan's Board. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Pension 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.

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

Rate of Return: For the year ended December 31, 2020, the annual money-weighted rate of return on Plan investments, net of investment expense was 14.66% for Police and 14.84% for Non-Uniformed. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2020 for the Police Pension Plan and the Non-Uniformed Pension Plan, were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 11,211,289	\$ 4,252,899
Plan fiduciary net position	<u>(11,218,847)</u>	<u>(4,258,070)</u>
Net pension liability	<u>\$ (7,558)</u>	<u>\$ (5,171)</u>
Plan fiduciary net position as a percentage of the total pension liability	100%	100%

Actuarial Assumptions: The total pension liability in the January 1, 2019 actuarial valuation for the Police Pension Plan and the Non-Uniformed Pension Plan, was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniformed</u>
Inflation	2.75%	2.75%
Salary Increases (average, including inflation)	5.0%	4.75%
Investment Rate of Return (including inflation)	7.0%	7.0%
Postretirement Cost of Living Increase	3.0%	3.0%

Mortality rates for the Police Pension Plan were based on RP-2014 Mortality Tables with 50% of the Blue Collar Adjustment and rates set forward 5 years for disabled members. This table does include projected mortality improvements with 75% of scale AA.

The net pension liability was measured as of December 31, 2020 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

The long-term expected rate of return on pension 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 pension 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.

The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation were calculated as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	60%	7.9%
Fixed income	37%	1.0%
Cash	3%	-1.4%

Discount Rate: The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. 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.

NETHER PROVIDENCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2019	\$ 10,504,092	\$ 9,570,017	\$ 934,075
Changes for the year:			
Service cost	323,420	-	323,420
Interest	745,480	-	745,480
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	561,759	(561,759)
Contributions - employee	-	87,989	(87,989)
Net investment income	-	1,395,127	(1,395,127)
Benefit payments, including refunds of employee contributions	(361,703)	(361,703)	-
Administrative expense	-	(34,342)	34,342
Other changes	-	-	-
Net Changes	<u>707,197</u>	<u>1,648,830</u>	<u>(941,633)</u>
Balance at December 31, 2020	<u>\$ 11,211,289</u>	<u>\$ 11,218,847</u>	<u>\$ (7,558)</u>

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2019	\$ 3,938,496	\$ 3,587,128	\$ 351,368
Changes for the year:			
Service cost	112,566	-	112,566
Interest	280,856	-	280,856
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	183,520	(183,520)
Contributions - employee	-	43,497	(43,497)
Net investment income	-	538,328	(538,328)
Benefit payments, including refunds of employee contributions	(79,019)	(79,019)	-
Administrative expense	-	(15,384)	15,384
Other changes	-	-	-
Net Changes	<u>314,403</u>	<u>670,942</u>	<u>(356,539)</u>
Balance at December 31, 2020	<u>\$ 4,252,899</u>	<u>\$ 4,258,070</u>	<u>\$ (5,171)</u>

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability			
Police	\$ 1,288,175	\$ (7,558)	\$ (1,093,680)
Non-Uniformed	\$ 458,195	\$ (5,171)	\$ (403,775)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2020, the plan's pension expense of (\$48,877) for Police Pension and \$22,947 for Non-Uniformed Pension. At December 31, 2020, the deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Police Pension Plan</u>		
Differences between expected and actual experience	\$ -	\$ 470,011
Changes in assumptions	116,759	-
Net difference between projected and actual earnings on pension plan investments	-	873,260
Total	<u>\$ 116,759</u>	<u>\$ 1,343,271</u>
<u>Non-Uniformed Pension Plan</u>		
Differences between expected and actual experience	\$ -	\$ 49,977
Changes in assumptions	88,308	-
Net difference between projected and actual earnings on pension plan investments	-	337,755
Total	<u>\$ 88,308</u>	<u>\$ 387,732</u>

NETHER PROVIDENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. Defined Benefit Pension Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are as follows. Under modified accrual, these amounts are not recorded in the financial statement.

Year Ended December 31:	Police	Non-Uniformed
2021	\$ (350,058)	\$ (87,021)
2022	(244,223)	(48,259)
2023	(431,074)	(121,252)
2024	(201,157)	(48,881)
2025	-	8,420
Thereafter	-	(2,431)
Total	<u>\$ (1,226,512)</u>	<u>\$ (299,424)</u>

Payable to the Pension Plan: For the year ended December 31, 2020, there was no amount payable for contributions to the pension plan.

G. Risk Management

The Township is exposed to various risks of loss related to torts; destruction of assets; errors and omissions; employee's health and accident; and natural disasters. The Township purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded this coverage for the past three fiscal years.

H. New Accounting Pronouncements

GASB Codification Section L20, Leases (GASB 87): GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use ("ROU") model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This Statement is expected to have an implementation date for fiscal year ending December 31, 2022.

REQUIRED

SUPPLEMENTARY INFORMATION

NETHER PROVIDENCE TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 323,420	\$ 308,019	\$ 326,303	\$ 340,945	\$ 247,457	\$ 235,673	\$ 223,588
Interest	745,480	699,227	691,472	649,926	613,105	580,757	568,941
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(517,410)	-	(374,987)	-	(264,072)	-
Changes of assumptions	-	-	-	329,047	-	(278)	-
Benefit payments, including refunds of employee contributions	(361,703)	(362,054)	(380,248)	(385,098)	(379,202)	(353,404)	(388,993)
Net change in total pension liability	707,197	127,782	637,527	559,833	481,360	198,676	403,536
Total pension liability - beginning	10,504,092	10,376,310	9,738,783	9,178,950	8,697,590	8,498,914	8,095,378
Total pension liability - ending (a)	\$ 11,211,289	\$ 10,504,092	\$ 10,376,310	\$ 9,738,783	\$ 9,178,950	\$ 8,697,590	\$ 8,498,914
Plan fiduciary net position							
Contributions - employer	\$ 561,759	\$ 684,393	\$ 597,711	\$ 636,700	\$ 633,442	\$ 815,314	\$ 652,190
Contributions - employee	87,989	89,040	82,673	80,260	75,995	73,792	66,606
Net investment income	1,395,127	1,497,072	(416,257)	959,861	442,786	(25,404)	350,489
Benefit payments, including refunds of employee contributions	(361,703)	(362,054)	(380,248)	(385,098)	(379,202)	(353,404)	(388,993)
Administrative expense	(34,342)	(30,571)	(31,656)	(24,302)	(18,857)	(20,580)	(15,134)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	1,648,830	1,877,880	(147,777)	1,267,421	754,164	489,718	665,158
Plan fiduciary net position - beginning	9,570,017	7,692,137	7,839,914	6,572,493	5,818,329	5,328,611	4,663,453
Plan fiduciary net position - ending (b)	\$ 11,218,847	\$ 9,570,017	\$ 7,692,137	\$ 7,839,914	\$ 6,572,493	\$ 5,818,329	\$ 5,328,611
Township's net pension liability - ending (a)-(b)	\$ (7,558)	\$ 934,075	\$ 2,684,173	\$ 1,898,869	\$ 2,606,457	\$ 2,879,261	\$ 3,170,303
Plan fiduciary net position as a percentage of the total pension liability	100.1%	91.1%	74.1%	80.5%	71.6%	66.9%	62.7%
Covered-employee payroll	\$ 1,759,762	\$ 1,780,798	\$ 1,653,460	\$ 1,598,452	\$ 1,524,767	\$ 1,544,574	\$ 1,382,375
Net pension liability as a percentage of covered payroll	-0.4%	52.5%	162.3%	118.8%	170.9%	186.4%	229.3%
Annual money-weighted return, net of investment expenses	14.66%	19.48%	-5.73%	14.74%	7.57%	-0.70%	7.00%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

Change in assumptions: None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

NETHER PROVIDENCE TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2011	\$ 453,215	\$ 453,215	\$ -	\$ 1,256,814	(1) 36.06%
2012	441,757	441,757	-	1,180,641	(1) 37.42%
2013	586,996	586,996	-	1,104,714	(1) 53.14%
2014	652,190	652,190	-	1,382,375	47.18%
2015	676,973	676,973	-	1,544,574	43.83%
2016	633,442	633,442	-	1,524,767	41.54%
2017	636,700	636,700	-	1,598,452	39.83%
2018	597,711	597,711	-	1,653,460	36.15%
2019	684,393	684,393	-	1,780,798	38.43%
2020	561,759	561,759	-	1,759,762	31.92%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	9 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increases	5%, average, including inflation
Investment rate of return	7%
Retirement age	Age 55 and completion of 25 years of service
Mortality	RP2014 Mortality Table with 50% of the Blue Collar adjustment, rates set forward 5 years for disabled members

Change in benefit terms: None since 1/1/2019

Change in assumptions: None since 1/1/2019

(1) - covered employee payroll taken from minimum municipal obligation calculation

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

NETHER PROVIDENCE TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - NON-UNIFORM PENSION PLAN

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 112,566	\$ 117,223	\$ 123,986	\$ 118,364	\$ 104,334	\$ 99,366	\$ 103,704
Interest	280,856	259,700	240,360	219,141	192,221	174,985	159,218
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(30,795)	-	(46,704)	-	(6,684)	-
Changes of assumptions	-	-	-	158,952	-	-	-
Benefit payments, including refunds of employee contributions	(79,019)	(61,368)	(39,995)	(39,995)	(36,584)	(29,727)	(18,071)
Net change in total pension liability	314,403	284,760	324,351	409,758	259,971	237,940	244,851
Total pension liability - beginning	3,938,496	3,653,736	3,329,385	2,919,627	2,659,656	2,421,716	2,176,865
Total pension liability - ending (a)	\$ 4,252,899	\$ 3,938,496	\$ 3,653,736	\$ 3,329,385	\$ 2,919,627	\$ 2,659,656	\$ 2,421,716
Plan fiduciary net position							
Contributions - employer	\$ 183,520	\$ 168,746	\$ 163,365	\$ 149,352	\$ 135,433	\$ 217,272	\$ 140,759
Contributions - employee	43,497	26,883	25,080	25,449	24,909	22,761	29,704
Net investment income	538,328	566,177	(160,498)	362,550	168,932	(11,321)	123,944
Benefit payments, including refunds of employee contributions	(79,019)	(61,368)	(39,995)	(39,995)	(36,584)	(29,727)	(18,071)
Administrative expense	(15,384)	(15,773)	(11,716)	(16,471)	(8,127)	(11,459)	(6,730)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	670,942	684,665	(23,764)	480,885	284,563	187,526	269,606
Plan fiduciary net position - beginning	3,587,128	2,902,463	2,926,227	2,445,342	2,160,779	1,973,253	1,703,647
Plan fiduciary net position - ending (b)	\$ 4,258,070	\$ 3,587,128	\$ 2,902,463	\$ 2,926,227	\$ 2,445,342	\$ 2,160,779	\$ 1,973,253
Township's net pension liability - ending (a)-(b)	\$ (5,171)	\$ 351,368	\$ 751,273	\$ 403,158	\$ 474,285	\$ 498,877	\$ 448,463
Plan fiduciary net position as a percentage of the total pension liability	100.1%	91.1%	79.4%	87.9%	83.8%	81.2%	81.5%
Covered-employee payroll	\$ 762,514	\$ 904,491	\$ 890,127	\$ 848,330	\$ 852,535	\$ 778,713	\$ 770,204
Net pension liability as a percentage of covered payroll	-0.7%	38.8%	84.4%	47.5%	55.6%	64.1%	58.2%
Annual money-weighted return, net of investment expenses	14.84%	19.25%	-5.79%	14.65%	7.57%	-0.80%	6.90%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

Change in assumptions: None since 1/1/2019

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

NETHER PROVIDENCE TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORM PENSION PLAN

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2011	\$ 67,271	\$ 67,271	\$ -	\$ 627,434	(1) 10.72%
2012	66,952	66,952	-	624,250	(1) 10.73%
2013	101,648	101,648	-	615,170	(1) 16.52%
2014	140,759	140,759	-	770,204	18.28%
2015	148,101	148,101	-	778,713	19.02%
2016	135,433	135,433	-	852,535	15.89%
2017	149,352	149,352	-	848,330	17.61%
2018	163,365	163,365	-	890,127	18.35%
2019	168,746	168,746	-	904,491	18.66%
2020	183,520	183,520	-	762,514	24.07%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar - closed
Remaining amortization period	9 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	3%
Salary increases	5%, average, including inflation
Investment rate of return	7%
Retirement age	Age 65 and completion of 15 years of service
Mortality	RP2014 Mortality Table with 50% of the Blue Collar adjustment, rates set forward 5 years for disabled members

Change in benefit terms: None since 1/1/2019

Change in assumptions: None since 1/1/2019

(1) - covered employee payroll taken from minimum municipal obligation calculation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

NETHER PROVIDENCE TOWNSHIP

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	<u>Special Revenue</u>				<u>Capital Projects</u>									Non-major Governmental Funds
	Highway Aid	Community Enhancement	Drug Forfeiture Assets	Total	Storm Sewer	Fire Capital	Highway Capital	Police Capital	Admin Office Equip	Police Office Equip	Parks Capital	Twp Sidewalks	Total	
<u>ASSETS</u>														
Cash and cash equivalents	\$ 114,845	\$ 363,821	\$ 57,396	\$ 536,062	\$ 26,685	\$ 20,851	\$ 216,849	\$ 9,454	\$ 6,684	\$ 3	\$ 42,654	\$ -	\$ 323,180	\$ 859,242
Receivables	-	-	58,982	58,982	-	-	-	-	-	-	-	-	-	58,982
Due from other funds	8,812	-	-	8,812	-	-	-	-	745	-	-	260	1,005	9,817
Total Assets	<u>\$ 123,657</u>	<u>\$ 363,821</u>	<u>\$ 116,378</u>	<u>\$ 603,856</u>	<u>\$ 26,685</u>	<u>\$ 20,851</u>	<u>\$ 216,849</u>	<u>\$ 9,454</u>	<u>\$ 7,429</u>	<u>\$ 3</u>	<u>\$ 42,654</u>	<u>\$ 260</u>	<u>\$ 324,185</u>	<u>\$ 928,041</u>
<u>LIABILITIES</u>														
Accounts payable	\$ 7,228	\$ -	\$ 20,200	\$ 27,428	\$ 114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114	\$ 27,542
Due to other funds	-	141,256	32,312	173,568	703	-	236,929	-	-	1,106	1,691	-	240,429	413,997
Total Liabilities	<u>7,228</u>	<u>141,256</u>	<u>52,512</u>	<u>200,996</u>	<u>817</u>	<u>-</u>	<u>236,929</u>	<u>-</u>	<u>-</u>	<u>1,106</u>	<u>1,691</u>	<u>-</u>	<u>240,543</u>	<u>441,539</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>														
Unavailable revenue:														
drug forfeitures	-	-	58,890	58,890	-	-	-	-	-	-	-	-	-	58,890
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>58,890</u>	<u>58,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,890</u>
<u>FUND BALANCES</u>														
Restricted:														
Police	-	-	4,976	4,976	-	-	-	-	-	-	-	-	-	4,976
Streets and highways	116,429	-	-	116,429	-	-	-	-	-	-	-	-	-	116,429
Community enhancement	-	222,565	-	222,565	-	-	-	-	-	-	-	-	-	222,565
Assigned:														
Capital projects	-	-	-	-	25,868	20,851	-	9,454	7,429	-	40,963	260	104,825	104,825
Unassigned	-	-	-	-	-	-	(20,080)	-	-	(1,103)	-	-	(21,183)	(21,183)
Total Fund Balances	<u>116,429</u>	<u>222,565</u>	<u>4,976</u>	<u>343,970</u>	<u>25,868</u>	<u>20,851</u>	<u>(20,080)</u>	<u>9,454</u>	<u>7,429</u>	<u>(1,103)</u>	<u>40,963</u>	<u>260</u>	<u>83,642</u>	<u>427,612</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 123,657</u>	<u>\$ 363,821</u>	<u>\$ 116,378</u>	<u>\$ 603,856</u>	<u>\$ 26,685</u>	<u>\$ 20,851</u>	<u>\$ 216,849</u>	<u>\$ 9,454</u>	<u>\$ 7,429</u>	<u>\$ 3</u>	<u>\$ 42,654</u>	<u>\$ 260</u>	<u>\$ 324,185</u>	<u>\$ 928,041</u>

NETHER PROVIDENCE TOWNSHIP

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Special Revenue</u>					<u>Capital Projects</u>										Total Non-major Governmental Funds
	<u>Highway Aid</u>	<u>Community Enhancement</u>	<u>Pending Drug Forfeiture</u>	<u>Drug Forfeiture Assets</u>	<u>Total</u>	<u>Storm Sewer</u>	<u>Fire Capital</u>	<u>Highway Capital</u>	<u>Police Capital</u>	<u>Admin Office Equip</u>	<u>Police Office Equip</u>	<u>Parks Capital</u>	<u>Twp Sidewalks</u>	<u>Total</u>		
Revenues																
Fines and forfeitures	\$ -	\$ -	\$ 624	\$ 33,289	\$ 33,913	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,913	\$ 33,913
Investment income and rent	1,380	3,788	-	224	5,392	3	99	875	68	28	10	258	1	1,342	6,734	6,734
Intergovernmental revenues	414,631	-	-	-	414,631	-	-	-	-	-	-	-	-	-	414,631	414,631
Other	-	190,890	-	-	190,890	-	-	1,800	-	-	-	-	-	1,800	192,690	192,690
Total Revenues	<u>416,011</u>	<u>194,678</u>	<u>624</u>	<u>33,513</u>	<u>644,826</u>	<u>3</u>	<u>99</u>	<u>2,675</u>	<u>68</u>	<u>28</u>	<u>10</u>	<u>258</u>	<u>1</u>	<u>3,142</u>	<u>647,968</u>	
Expenditures																
Current																
General government	-	-	-	-	-	-	-	-	-	3,425	-	-	-	3,425	3,425	3,425
Public safety	-	-	624	60,577	61,201	4,585	-	-	4,439	-	5,513	-	-	14,537	75,738	75,738
Public works	378,121	-	-	-	378,121	-	-	25,862	-	-	-	-	-	25,862	403,983	403,983
Community enhancement	-	741,782	-	-	741,782	-	-	-	-	-	-	8,830	-	8,830	8,830	8,830
Total Expenditures	<u>378,121</u>	<u>741,782</u>	<u>624</u>	<u>60,577</u>	<u>1,181,104</u>	<u>4,585</u>	<u>-</u>	<u>25,862</u>	<u>4,439</u>	<u>3,425</u>	<u>5,513</u>	<u>8,830</u>	<u>-</u>	<u>52,654</u>	<u>1,233,758</u>	
Excess (Deficiency) of Revenues Over Expenditures	37,890	(547,104)	-	(27,064)	(536,278)	(4,582)	99	(23,187)	(4,371)	(3,397)	(5,503)	(8,572)	1	(49,512)	(585,790)	(585,790)
Other Financing Sources (Uses)																
Transfers in	-	6,000	-	-	6,000	30,000	500	91,500	-	4,000	4,000	500	-	130,500	136,500	136,500
Net Change in Fund Balance	37,890	(541,104)	-	(27,064)	(530,278)	25,418	599	68,313	(4,371)	603	(1,503)	(8,072)	1	80,988	(449,290)	(449,290)
Fund Balance - Beginning	78,539	763,669	-	32,040	874,248	450	20,252	(88,393)	13,825	6,826	400	49,035	259	2,654	876,902	876,902
Fund Balance - Ending	<u>\$ 116,429</u>	<u>\$ 222,565</u>	<u>\$ -</u>	<u>\$ 4,976</u>	<u>\$ 343,970</u>	<u>\$ 25,868</u>	<u>\$ 20,851</u>	<u>\$ (20,080)</u>	<u>\$ 9,454</u>	<u>\$ 7,429</u>	<u>\$ (1,103)</u>	<u>\$ 40,963</u>	<u>\$ 260</u>	<u>\$ 83,642</u>	<u>\$ 427,612</u>	

NETHER PROVIDENCE TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - MODIFIED
ACCRUAL BASIS

DECEMBER 31, 2020

	Pension Trust Funds		
	Police <u>Pension</u>	Non-Uniformed <u>Pension</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 607,423	\$ 201,995	\$ 809,418
Investments, at fair value:			
Exchange traded	<u>10,611,868</u>	<u>4,056,075</u>	<u>14,667,943</u>
Total Assets	<u>\$ 11,219,291</u>	<u>\$ 4,258,070</u>	<u>\$ 15,477,361</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 4,868	\$ 8,326	\$ 13,194
Total Liabilities	<u>4,868</u>	<u>8,326</u>	<u>13,194</u>
 <u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	<u>11,214,423</u>	<u>4,249,744</u>	<u>15,464,167</u>
Total Net Position	<u>\$ 11,214,423</u>	<u>\$ 4,249,744</u>	<u>\$ 15,464,167</u>

NETHER PROVIDENCE TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - FIDUCIARY FUNDS - MODIFIED ACCRUAL BASIS

DECEMBER 31, 2020

	Pension Trust Funds		
	Police	Non-Uniformed	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
Additions			
Contributions			
Employee contributions	\$ 87,797	\$ 43,497	\$ 131,294
Employer contributions	414,044	114,586	528,630
State aid	147,715	68,934	216,649
Total Contributions	<u>649,556</u>	<u>227,017</u>	<u>876,573</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,191,538	460,956	1,652,494
Interest and dividend income	203,588	77,372	280,960
Total Investment Earnings	1,395,126	538,328	1,933,454
Less investment expense	(27,270)	(18,565)	(45,835)
Net Investment Income	<u>1,367,856</u>	<u>519,763</u>	<u>1,887,619</u>
Total Additions	<u>2,017,412</u>	<u>746,780</u>	<u>2,764,192</u>
Deductions			
Benefits	365,522	79,019	444,541
Actuary fees	7,484	5,145	12,629
Total Deductions	<u>373,006</u>	<u>84,164</u>	<u>457,170</u>
Change in Net Position	1,644,406	662,616	2,307,022
Net Position - Restricted for Pension Benefits:			
Beginning of Year	<u>9,570,017</u>	<u>3,587,128</u>	<u>13,157,145</u>
End of Year	<u>\$ 11,214,423</u>	<u>\$ 4,249,744</u>	<u>\$ 15,464,167</u>

NETHER PROVIDENCE TOWNSHIP
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2020



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

To the Board of Commissioners of
Nether Providence Township, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nether Providence Township, Pennsylvania, which comprise the statement of financial position as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Nether Providence Township, Pennsylvania's basic financial statements and have issued our report thereon dated April 20, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs as Finding #2020-001 that we consider to be a material weakness.

Compliance and Other Matters

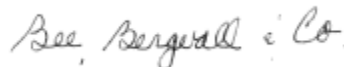
As part of obtaining reasonable assurance about whether Nether Providence Township, Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Nether Providence Township, Pennsylvania's Response to Findings

Nether Providence Township, Pennsylvania's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Nether Providence Township, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
April 20, 2022



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Commissioners of
Nether Providence Township, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Nether Providence Township, Pennsylvania's compliance with the types of compliance requirements described in OMB *Compliance Supplement* that could have a direct and material effect on each of Nether Providence Township's major federal programs for the year ended December 31, 2020. Nether Providence Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Nether Providence Township, Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nether Providence Township, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Nether Providence Township, Pennsylvania's compliance.

Basis for Qualified Opinion on CFDA #20.205

As described in the accompanying schedule of findings and questioned costs, the Nether Providence Township, Pennsylvania did not comply with requirements regarding CFDA #20.205 as described in Finding #2020-002 and #2020-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Nether Providence Township, Pennsylvania to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #20.205

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Nether Providence Township, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA #20.205 for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Nether Providence Township, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nether Providence Township, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nether Providence Township, Pennsylvania's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding #2020-002 through #2020-003 to be material weaknesses.

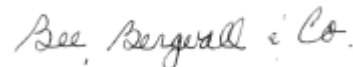
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Nether Providence Township, Pennsylvania's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Nether Providence Township's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Nether Providence Township, Pennsylvania as of and for the year ended December 31, 2020, and have issued our report thereon dated April 20, 2022, which contained a unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
April 20, 2022

NETHER PROVIDENCE TOWNSHIP

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified Opinion

Internal Control over Financial Reporting

- Material Weakness Identified? X yes ___ no
- Reportable Condition(s) Identified that are
Not Considered to be Material Weaknesses? ___ yes X no
- Noncompliance Material to Financial Statements Noted? ___ yes X no

Federal Awards

Internal Control over Major Programs:

- Material Weakness Identified? X yes ___ no
- Reportable Condition(s) Identified that are
Not Considered to be Material Weaknesses? ___ yes X no

Type of Auditors' Report Issued on Compliance
for Major Programs: Qualified Opinion

Any Audit Findings Disclosed that are Required
to be Reported in Accordance 2 CFR 200.516(a)? X yes ___ no

Identification of Major Programs:

CFDA Number
20.205

Name of Federal Program
Highway Planning and Construction

Dollar Threshold used to Distinguish between
Type A and Type B Programs: \$ 750,000

- Auditee Qualified as Low-Risk Auditee? ___ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings 2020-001

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings 2020-002 and 2020-003

NETHER PROVIDENCE TOWNSHIP

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-001

Material Weakness

Criteria and Condition: Proper internal controls over financial reporting were not maintained. Financial transactions should be recorded properly in the general ledger and monthly reconciliations should be performed timely.

Context: Bank reconciliations were not prepared timely or accurately. Interfund balances, interfund transfers, receivables, payables, prepaid expenses, and debt payments were not properly recorded or reconciled. Fund balance accounts were not reconciled to prior year reports.

Cause: Due to the turnover in staff, proper internal controls over financial reporting were not maintained.

Potential Effect: Financial activity could be materially misstated or funds could be mismanaged.

Recommendation: It is recommended that the Township perform a monthly close which would include review of activity and reconciliation of accounts.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the importance of internal controls over financial reporting. The Township Manager will review and approve the reconciliations monthly to ensure that established internal controls are followed.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-002

Material Weakness

Reporting – CFDA #20.205

Criteria and Condition: While the Organization has some written financial management procedures documentation, it does not meet all the recent specific requirements under 2 CFR 200.302 in the Uniform Grant Guidance.

Context: The financial management requirements under 2 CFR 200.302 require each non-federal entity maintain effective control over, and accountability for all funds, property, and other assets, including having written procedures in place.

NETHER PROVIDENCE TOWNSHIP

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Cause: The Organization did not have internal controls specific to Uniform Guidance.

Potential Effect: Errors could occur in financial reporting.

Repeat from the Prior Year: No.

Recommendation: We recommend the Organization update its existing policies to comply with the requirements under 2 CFR 200.302.

Views of Responsible Officials and Planned Corrective Actions: Management understands the importance of defining and following the necessary policies and procedures to remain in compliance with the requirements under 2 CFR 200.302.

2020-003

Material Weakness

Reporting – CFDA #20.205

Criteria and Condition: Timely financial reporting was not followed.

Context: The Single Audit report and Data Collection Form were not timely filed with the Federal Audit Clearinghouse.

Cause: The Organization did not comply with this reporting requirement timely.

Potential Effect: The Organization could lose funding due to lack of timely filing.

Repeat from the Prior Year: No.

Recommendation: Timely financial reporting for grant should be followed.

Views of Responsible Officials and Planned Corrective Actions: Management understands the importance of complying with grant reporting requirements. Nether Providence Township will ensure that accurate and timely financial reporting occurs in accordance with grant reporting guidelines going forward.

NETHER PROVIDENCE TOWNSHIP

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA#</u>	<u>Federal or Pass through Grantor #</u>	<u>Additional Award Identification</u>	<u>Federal Expenditures 12/31/2020</u>
US Department of Treasury				
Equitable Sharing Program	21.016			\$ 60,577
Total U.S. Department of Treasury				
US Department of Transportation				
Passed through PA Department of Transportation				
Highway Planning and Construction	20.205	FID# 236000199		1,112,116
Total U.S. Department of Health and Human Services				
US Department of Homeland Security				
Passed through Pennsylvania Emergency Management Agency				
Disaster Grants - Public Assistance	97.036		COVID 19	6,491
Total U.S. Department of Homeland Security				
Total Federal Awards				<u><u>\$ 1,179,184</u></u>

See accompanying notes to the schedule of expenditures of Federal Awards.

NETHER PROVIDENCE TOWNSHIP

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

NOTE A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Nether Providence Township under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nether Providence Township, it is not intended to and does not present the financial position, change in net assets, or cash flows of Nether Providence Township.

NOTE B. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Nether Providence Township has elected not to use the 10% de minimis rate allowed under Uniform Guidance.

NETHER PROVIDENCE TOWNSHIP
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2020



April 20, 2022

Nether Providence Township
Dave Grady, Township Manager
214 Sykes Lane
Wallingford, PA 19086

Subject: Corrective Action Plan

Dear Sir/Madam,

Nether Providence Township respectfully submits the following plans:

Corrective Action Plan for Audit Period:

December 31, 2020

The name and address of Nether Providence Township independent public accounting firm:

Bee, Bergvall & Co.
PO Box 754
Warrington PA 18976

The contents of the Corrective Action Plan for Audit Period ending December 31, 2020:

Section I: Financial Statement Findings

2020-001: Monthly Close and Reconciliations

Section II: Federal Award Findings and Questioned Costs

2020-002: Internal Controls Related to Uniform Guidance

2020-003: Timely Reporting

Each numbered section above contains a sub-section of "Actions Taken". If your organization has questions, please call me at 610-566-4516.

Sincerely,

Dave Grady, Township Manager

NETHER PROVIDENCE TOWNSHIP

Corrective Action Plan

For the Year Ended December 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001

Material Weakness

Criteria and Condition: Proper internal controls over financial reporting were not maintained. Financial transactions should be recorded properly in the general ledger and monthly reconciliations should be performed timely.

Context: Bank reconciliations were not prepared timely or accurately. Interfund balances, interfund transfers, receivables, payables, prepaid expenses, and debt payments were not properly recorded or reconciled. Fund balance accounts were not reconciled to prior year reports.

Cause: Due to the turnover in staff, proper internal controls over financial reporting were not maintained.

Potential Effect: Financial activity could be materially misstated or funds could be mismanaged.

Recommendation: It is recommended that the Township perform a monthly close which would include review of activity and reconciliation of accounts.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the importance of internal controls over financial reporting. The Township Manager will review and approve the reconciliations monthly to ensure that established internal controls are followed.

Action Taken: Nether Providence Township will implement these policies and procedures to ensure that the organization will comply going forward.

Anticipated Completion: Fiscal year 2021.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-002

Material Weakness

Reporting - CFDA #20.205

Criteria and Condition: While the Organization has some written financial management procedures documentation, it does not meet all the recent specific requirements under 2 CFR 200.302 in the Uniform Grant Guidance.

Context: The financial management requirements under 2 CFR 200.302 require each non-federal entity maintain effective control over, and accountability for all funds, property, and other assets, including having written procedures in place.

Cause: The Organization did not have internal controls specific to Uniform Guidance.

Potential Effect: Errors could occur in financial reporting.

Repeat from the Prior Year: No.

Recommendation: We recommend the Organization update its existing policies to comply with the requirements under 2 CFR 200.302.

Views of Responsible Officials and Planned Corrective Actions: Management understands the importance of defining and following the necessary policies and procedures to remain in compliance with the requirements under 2 CFR 200.302.

Action Taken: Nether Providence Township will implement these policies and procedures to ensure that the organization will comply going forward.

Anticipated Completion: Fall 2022.

2020-003

Material Weakness

Reporting - CFDA #20.205

Criteria and Condition: Timely financial reporting was not followed.

Context: The Single Audit report and Data Collection Form were not timely filed with the Federal Audit Clearinghouse.

Cause: The Organization did not comply with this reporting requirement timely.

Potential Effect: The Organization could lose funding due to lack of timely filing.

Repeat from the Prior Year: No.

Recommendation: Timely financial reporting for grant should be followed.

Views of Responsible Officials and Planned Corrective Actions: Management understands the importance of complying with grant reporting requirements. Nether Providence Township will ensure that accurate and timely financial reporting occurs in accordance with grant reporting guidelines going forward.

Action Taken: Nether Providence Township will implement these policies and procedures to ensure that the organization will comply going forward.

Anticipated Completion: Fiscal year 2021.