

# **TOWNSHIP OF LOWER PROVIDENCE**

## **FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

***Year Ended December 31, 1999***



**MAILLIE, FALCONIERO & COMPANY, LLP**  
*Certified Public Accountants and Business Counselors*



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**Independent Auditors' Report on Financial Statements**

To the Board of Supervisors  
Township of Lower Providence  
Eagleville, Pennsylvania

We have audited the accompanying general purpose financial statements of the Township of Lower Providence, Eagleville, Pennsylvania, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Lower Providence, Eagleville, Pennsylvania's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Lower Providence Township Municipal Authority (Proprietary Fund Type Component Unit) and the Lower Providence Township Sewer Authority (Proprietary Fund Type Component Unit). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Proprietary Fund Type Component Units, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Lower Providence, Eagleville, Pennsylvania, as of December 31, 1999, and the results of its operations and the cash flows of its Proprietary Fund Type Component Units for the year then ended in conformity with generally accepted accounting principles.

*Maillie, Falconiero + Company, LLP*

February 18, 2000

**TOWNSHIP OF LOWER PROVIDENCE**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES, ACCOUNT GROUPS AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*December 31, 1999*

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,168,268	\$ 837,218	\$ 1,027,497	\$ 207,339
Investments	-	-	-	-
Due from Municipal Authority	1,889,401	-	-	6,530,000
Due from developers, net of \$50,121 allowance	100,308	-	-	-
Accounts receivable	244,034	14,837	2,557	3,795
Inventory	-	-	-	-
Prepaid expenses	70,582	550	-	-
Interest receivable	-	-	-	-
Property and equipment, net of accumulated depreciation	-	-	-	-
Due from other funds	230,701	-	-	-
Deferred charges	-	-	-	-
Security deposits	-	-	-	-
Amount to be provided for payment of capital lease obligations	-	-	-	-
Amount to be provided for retirement of bonds and notes payable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,703,294</b>	<b>\$ 852,605</b>	<b>\$ 1,030,054</b>	<b>\$ 6,741,134</b>

*See accompanying notes.*

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 90,669	\$ 140,032
Due to Township	-	-	-	-
Accounts payable	308,437	97,122	37,448	-
Accrued expenses	-	-	-	-
Escrow deposits	299,928	-	-	-
Accrued payroll and payroll taxes	49,373	3,072	-	-
Interest payable	-	-	-	-
Deferred revenue	2,500	-	-	-
Capital lease obligations	-	-	-	-
Bonds and notes payable	-	-	-	-
Deferred loss on advanced refunding	-	-	-	-
	<u>660,238</u>	<u>100,194</u>	<u>128,117</u>	<u>140,032</u>
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>FUND EQUITY</b>				
Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balances				
Reserved for employee retirement benefits	-	-	-	-
Unreserved	4,043,056	752,411	901,937	6,601,102
	<u>4,043,056</u>	<u>752,411</u>	<u>901,937</u>	<u>6,601,102</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 4,703,294</u>	<u>\$ 852,605</u>	<u>\$ 1,030,054</u>	<u>\$ 6,741,134</u>

**TOWNSHIP OF LOWER PROVIDENCE**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**ALL GOVERNMENTAL FUND AND TRUST FUND TYPES**

*Year Ended December 31, 1999*

	<u>General Fund</u>	
<b>REVENUES</b>		
Taxes	\$ 4,218,554	\$
Licenses and permits	204,891	
Fines and forfeits	81,690	
Interest and rents	104,716	
Intergovernmental revenue	356,823	
Charges for services	484,557	
Miscellaneous	<u>12,352</u>	
<b>TOTAL REVENUES</b>	<b>5,463,583</b>	
<b>EXPENDITURES</b>		
General government	659,048	
Public safety	2,398,378	
Health and sanitation	15,191	
Highways and streets	699,579	
Recreation	-	
Miscellaneous	927,883	
Debt service	-	
<b>TOTAL EXPENDITURES</b>	<b><u>4,700,079</u></b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER         EXPENDITURES</b>	<b>763,504</b>	
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from sale of general fixed assets	11,910	
Operating transfers in	431,970	
Operating transfers out	(431,970)	
Refund of prior year revenues (expenditures)	<u>14,757</u>	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>26,667</u></b>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND         OTHER FINANCING SOURCES OVER         EXPENDITURES AND OTHER USES</b>	<b>790,171</b>	
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b><u>3,252,885</u></b>	
<b>FUND BALANCES AT END OF YEAR</b>	<b><u>\$ 4,043,056</u></b>	<b>\$</b>

*See accompanying notes.*

**TOWNSHIP OF LOWER PROVIDENCE****COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES--BUDGETARY BASIS  
BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended December 31, 1999**

	<u>Budget</u>	
<b>REVENUES</b>		
Taxes	\$ 3,869,400	\$
Licenses and permits	118,250	
Fines and forfeits	65,000	
Interest and rents	58,100	
Intergovernmental revenue	399,830	
Charges for services	318,500	
Miscellaneous	<u>1,500</u>	
TOTAL REVENUES	4,830,580	
<b>EXPENDITURES</b>		
General government	733,218	
Public safety	2,438,554	
Health and sanitation	13,600	
Highways and streets	888,922	
Recreation	-	
Miscellaneous	<u>974,051</u>	
TOTAL EXPENDITURES	<u>5,048,345</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(217,765)	
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from sale of general fixed assets	-	
Operating transfers in	-	
Operating transfers out	(601,236)	
Refund of prior year revenues (expenditures)	<u>-</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(601,236)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES FORWARD	<u>\$ (819,001)</u>	\$

**TOWNSHIP OF LOWER PROVIDENCE**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES--BUDGETARY BASIS

BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUNDS

*Year Ended December 31, 1999*

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Budget

EXCESS (DEFICIENCY) OF REVENUES AND  
OTHER FINANCING SOURCES OVER  
EXPENDITURES AND OTHER USES  
FORWARDED

FUND BALANCES AT BEGINNING OF YEAR, BUDGETARY  
BASIS

FUND BALANCES AT END OF YEAR,  
BUDGETARY BASIS

RECONCILIATION TO GAAP BASIS

Accounts receivable and prepaid expenditures

Accounts payable and accrued expenditures

Deferred revenue

FUND BALANCES AT END OF YEAR, GAAP BASIS

*See accompanying notes.*

**TOWNSHIP OF LOWER PROVIDENCE**  
**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*Year Ended December 31, 1999*

	<u>Municipal Authority</u>	<u>Sewer Authority</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 227,339	\$ 5,708,170	\$ 5,935,509
Investments	-	11,264,059	11,264,059
Accounts receivable	-	41,952	41,952
Inventory	23,790	-	23,790
Prepaid expenses	-	7,875	7,875
Interest receivable	-	124,820	124,820
Property and equipment, net of accumulated depreciation	6,200,606	14,460,794	20,661,400
Deferred charges	248,055	865,056	1,113,111
Security deposits	2,149	-	2,149
	<u>6,701,939</u>	<u>32,472,726</u>	<u>39,174,665</u>
<b>TOTAL ASSETS</b>			
	<u>\$ 6,701,939</u>	<u>\$ 32,472,726</u>	<u>\$ 39,174,665</u>
<b>LIABILITIES AND RETAINED EARNINGS (DEFICIT)</b>			
<b>LIABILITIES</b>			
Due to Township	\$ 8,419,401	\$ -	\$ 8,419,401
Accounts payable	86,865	60,361	147,226
Accrued expenses	45,953	3,374	49,327
Escrow deposits	-	32,307	32,307
Interest payable	80,473	171,263	251,736
Deferred revenue	22,010	-	22,010
Capital lease obligations	90,400	-	90,400
Bonds and notes payable	-	19,890,000	19,890,000
Deferred loss on advanced refunding	(468,485)	(973,732)	(1,442,217)
	<u>8,276,617</u>	<u>19,183,573</u>	<u>27,460,190</u>
<b>RETAINED EARNINGS (DEFICIT)</b>			
Contributed capital	1,204,644	9,231,146	10,435,790
Retained earnings (deficit)	(2,779,322)	4,058,007	1,278,685
	<u>(1,574,678)</u>	<u>13,289,153</u>	<u>11,714,475</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIT)</b>			
	<u>\$ 6,701,939</u>	<u>\$ 32,472,726</u>	<u>\$ 39,174,665</u>

*See accompanying notes.*

**TOWNSHIP OF LOWER PROVIDENCE****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN RETAINED EARNINGS (DEFICIT)  
DISCRETELY PRESENTED COMPONENT UNITS  
Year Ended December 31, 1999**

	<u>Municipal Authority</u>	<u>Sewer Authority</u>	<u>Totals</u>
OPERATING REVENUES	\$ 1,604,376	\$ 1,360,152	\$ 2,964,528
OPERATING EXPENSES	<u>1,925,310</u>	<u>1,245,322</u>	<u>3,170,632</u>
INCOME (LOSS) FROM OPERATIONS	(320,934)	114,830	(206,104)
NONOPERATING REVENUES (EXPENSES)			
Investment income	6,032	899,700	905,732
Grants	-	1,576	1,576
Loss on disposition of assets	-	(666)	(666)
Amortization of bond issue costs	(49,281)	(21,312)	(70,593)
Interest expense	<u>(319,204)</u>	<u>(1,113,328)</u>	<u>(1,432,532)</u>
	<u>(362,453)</u>	<u>(234,030)</u>	<u>(596,483)</u>
NET LOSS	(683,387)	(119,200)	(802,587)
TRANSFER OF DEPRECIATION ON FIXED ASSETS BY SEWER CONNECTION FEES THAT REDUCES CAPITAL CONTRIBUTIONS	<u>-</u>	<u>156,634</u>	<u>156,634</u>
NET INCREASE (DECREASE) IN RETAINED EARNINGS (DEFICIT)	(683,387)	37,434	(645,953)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	<u>(2,095,935)</u>	<u>4,020,573</u>	<u>1,924,638</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ (2,779,322)</u>	<u>\$ 4,058,007</u>	<u>\$ 1,278,685</u>

See accompanying notes.

**TOWNSHIP OF LOWER PROVIDENCE**  
**COMBINED STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*Year Ended December 31, 1999*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Loss from operations	\$ (206,104)
Adjustments to reconcile loss from operations to net cash provided by operating activities	
Depreciation	641,960
(Increase) decrease in	
Accounts receivable	44,327
Inventory	10,634
Prepaid expenses	607
Increase (decrease) in	
Accounts payable	12,640
Accrued expenses	14,855
Escrow deposits	13,889
Deferred revenue	(6,723)
Due to Montgomery County	(26,480)
Due to Township	16,000
NET CASH PROVIDED BY OPERATING ACTIVITIES FORWARD	<u>515,605</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Grants	1,576
Proceeds from promissory notes	<u>250,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES FORWARD	251,576

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal paid on long-term debt	(455,000)
Acquisition and construction of capital assets	(281,634)
Principal paid on capital lease obligations	(32,969)
Interest paid on capital lease obligations	(7,143)
Interest paid on long-term debt	(1,050,170)
Contributed capital	<u>604,000</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES FORWARD	<u>\$ (1,222,916)</u>

**TOWNSHIP OF LOWER PROVIDENCE**  
**COMBINED STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*Year Ended December 31, 1999*

CASH FLOWS FROM OPERATING ACTIVITIES	
NET CASH PROVIDED BY OPERATING ACTIVITIES FORWARDED	\$ 515,605
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES FORWARDED	251,576
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES FORWARDED	(1,222,916)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	23,725,525
Purchase of investments	(19,276,054)
Interest received on investments	<u>903,510</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,352,981</u>
NET INCREASE IN CASH	4,897,246
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,038,263</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,935,509</u>

*See accompanying notes.*

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The financial statements of the Township of Lower Providence include the departments and other organizational units over which the Board of Supervisors exercises oversight responsibility, including general government, police protection, parks and recreation, public works and sanitation and its component units. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

#### Individual Component Units

The criteria for including organizations as component units within the Township's reporting entity, as set forth in Section 2100 in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- a. The organization is legally separate (can sue and be sued in their own name).
- b. The Township appoints a voting majority of the organization's board.
- c. The Township is able to impose its will on the organization.
- d. The organization has the potential to impose a financial benefit/burden on the Township.
- e. There is a fiscal dependency by the organization on the Township.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

Based on the above criteria, the following are considered component units of the Township and are reported discretely in the Township's financial statements:

The Lower Providence Township Municipal Authority (Municipal Authority) is a separate legal entity created to maintain and operate the General Washington Recreation Center for the Township since 1994. Board members are appointed by the Township Board of Supervisors. The Township is legally entitled to all Municipal Authority revenues collected but not otherwise required for the purposes of paying current debt service, operating expenses, extraordinary maintenance costs or providing for current capital improvements or planned and approved capital expenditures. The Municipal Authority may not sell, donate or otherwise dispose of its real estate and/or facilities without the written approval of the Township. The Township has agreed to aid and assist the Municipal Authority in the maintenance and operation of the General Washington facility to the extent reasonably possible. Also, substantially all of the Municipal Authority's debt is payable to the Township.

The Lower Providence Township Sewer Authority (Sewer Authority) is a separate legal entity created to operate the Township's sewer system. Board members are appointed by the Township Board of Supervisors. The Sewer Authority provides services to citizens, who are charged a sewer connection fee. These fees represent the owner's portion of expansion costs of the Sewer Authority's sewer lines. These fees are shown as contributed capital.

The above component units issue separately audited financial statements. The Sewer Authority's financial statements' year end is June 30, 1999. Copies of these component unit reports may be obtained from the Township Finance Director. The Authorities are presented as Proprietary Fund Types.

In reviewing the criteria for inclusion in the financial statements, the Township also considered the following:

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

The fire department receives a contribution from the Township. However, the majority of revenues generated is through private fund raisers under the direction of a separate independent board not appointed by the Supervisors. The departments are organized under a separate charter and, therefore, are not included in the financial statements.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### Significant Accounting Policies

#### Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements into six broad fund categories and three generic fund types as follows:

#### Governmental Fund Types

##### General Fund

The General Fund is the general operating fund of the Township. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These funds account principally for the parks and recreation activity, disposition of state liquid fuels highway aid funding and contributions to the community library.

##### Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition of major capital facilities.

##### Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the Township:

#### Component Units

The component units include the Municipal Authority and the Sewer Authority.

### Fiduciary Fund Types

Fiduciary Funds include Pension Trust and Agency Funds. The measurement focus of the Trust Fund is the same as for Governmental Funds. Agency Funds are purely custodial (assets equal liabilities) and, thus, do not involve measurement of results of operations.

#### Trust and Agency Funds

Trust and Agency Funds account for collection and disbursement of assets held in trust by a government for an individual, a group of individuals, or another governmental unit.

### Account Groups

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the general fixed assets and general long-term obligations. The following is a description of the Account Groups of the Township:

#### General Fixed Assets Account Group

The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

#### General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to record the outstanding long-term obligations of the Township.

# **TOWNSHIP OF LOWER PROVIDENCE**

## **NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

### **Basis of Preparation**

During the year ended December 31, 1999, the Township elected to change its method of accounting from cash basis to modified accrual basis for all funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual. Revenues considered susceptible to accrual are those revenues that are both measurable and available as a resource which can be used to finance governmental operations during the year. Expenditures are recognized when the liability is incurred.

### **Deposits and Investments**

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

State statutes authorize the Township and its component units to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments are carried at quoted fair value.

### **Property and Equipment**

Property and equipment are recorded as expenditures in the General Fund, Special Revenue Funds and Capital Project Funds at the time goods are received and a liability is incurred. These assets are capitalized at cost in the General Fixed Assets Account Group except for rights of way and certain improvements other than buildings constructed in the public right of way such as roads, bridges, curbs, gutters, streets and sidewalks, drainage systems and lighting systems, as these assets are immovable and of value only to the Township.

Property and equipment purchased by the Proprietary Fund Type are carried at cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs for repairs and maintenance are expensed as incurred.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

Depreciation on all property and equipment is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Sewer system	40
Land improvements	20-40
Building and improvements	10-40
Furniture, fixtures and equipment	3-20

Donated property is recorded at its actual construction price.

### **Memo Only, Total Columns**

Total columns on the financial statements are captioned "memo only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles; nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### **Real Estate Tax Calendar**

The original tax duplicate is received by the tax collector and mailed March 1. The discount period extends through April 30, followed by the flat period through June 30 and ends with the penalty period after July 1. The penalty is 10%. Any unpaid taxes at the end of the year are required to be liened by January 15 with the county.

### **Use of Estimates**

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

### **Inventories**

Inventories are stated at cost, applied on the first-in, first-out method. Included in the inventory are consumable items used in the operation of the facility, such as pro shop merchandise, food and beverages.

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1999

**Deferred Charges**

Deferred charges (Proprietary Fund Type) consist of bond issue costs, which are amortized over the life of the bonds.

**Budget Policy**

The Board of Supervisors annually adopts the budget for the General and Special Revenue Funds of the Township. Budgetary control is legally maintained at the fund level. The Township's budget policy provides transfer authority to the Supervisors within and between categories as long as the total budget of the Township (net of interfund transfers) is not increased.

All budget amounts presented in the accompanying financial statements and additional information have been adjusted for legally authorized revisions to the annual budgets during the year.

**NOTE B CASH AND CASH EQUIVALENTS**

At December 31, 1999, total cash and cash equivalents consisted of the following:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Checking and savings accounts	\$ 762,026	\$ 421,704	\$ 1,183,730
PLGIT money market funds	3,485,980	184,516	3,670,496
Certificate of deposit	-	5,000,000	5,000,000
U.S. Treasury money market	-	328,214	328,214
Petty cash	325	1,075	1,400
	<u>\$ 4,248,331</u>	<u>\$ 5,935,509</u>	<u>\$ 10,183,840</u>

Under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the act, to cover all public funds deposited in excess of federal depository insurance limits.

At December 31, 1999, the primary government and component units owned units of the Pennsylvania Local Government Investment Trust totaling \$3,485,980 and \$184,516, respectively. This Trust invests in U.S. Government or federally insured deposits which are titled to and held by the Trust.

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1999

The Township's cash and cash equivalents consist of deposits with financial institutions and U.S. Government and agency securities. The following is a schedule of the primary government's cash and cash equivalents at December 31, 1999, categorized by risk:

	Category			Bank Balance	Carrying Amounts
	1	2	3		
<b>CASH AND CASH EQUIVALENTS</b>					
Checking and savings accounts	\$ 109,911	\$ -	\$ 703,244	\$ 813,155	\$ 762,026
Money market funds	-	-	3,485,980	3,485,980	3,485,980
	<u>\$ 109,911</u>	<u>\$ -</u>	<u>\$ 4,189,224</u>	<u>\$ 4,299,135</u>	<u>\$ 4,248,006</u>

The following is a schedule of the component units' cash and cash equivalents at December 31, 1999:

	Category			Bank Balance	Carrying Amounts
	1	2	3		
<b>CASH AND CASH EQUIVALENTS</b>					
Checking and savings accounts	\$ 165,095	\$ -	\$ 281,263	\$ 446,358	\$ 421,704
Money market funds	328,214	-	184,516	512,730	512,730
Certificate of deposit	-	-	5,000,000	5,000,000	5,000,000
	<u>\$ 493,309</u>	<u>\$ -</u>	<u>\$ 5,465,779</u>	<u>\$ 5,959,088</u>	<u>\$ 5,934,434</u>

**Category**

- 1 Insured or collateralized with securities held by the Township or by its agent in the Township's name.
- 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
- 3 Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Township's name.

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1999

**NOTE C INVESTMENTS**

The following is a schedule of the component units' investments at December 31, 1999, categorized by risk:

	<u>Category</u>			<u>Fair Value/ Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
FLHB bonds	\$ -	\$ -	\$ 5,216,764	\$ 5,216,764
FNMA bonds	-	-	6,047,295	6,047,295
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,264,059</u>	<u>\$ 11,264,059</u>

**Category**

- 1 Insured or collateralized for which the securities are held by the Township or by its agent in the Township's name.
- 2 Uninsured and unregistered for which the securities are held by the pledging financial institution's trust department or agent in the Township's name.
- 3 Uninsured and unregistered for which the securities are held by the pledging financial institution's trust department or agent, but not in the Township's name.

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1999

**NOTE D PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Land and garage building	\$ 1,088,361	\$ 3,676,151	\$ 4,764,512
Construction in progress	-	1,126,714	1,126,714
Sewer system	-	18,412,144	18,412,144
Buildings and improvements	2,786,391	2,209,482	4,995,873
Vehicles	1,127,606	-	1,127,606
Equipment and office furniture	1,136,777	1,000,127	2,136,904
	<u>6,139,135</u>	<u>26,424,618</u>	<u>32,563,753</u>
Accumulated depreciation	-	(5,763,218)	(5,763,218)
	<u>\$ 6,139,135</u>	<u>\$ 20,661,400</u>	<u>\$ 26,800,535</u>

The following is a summary of changes in the General Fixed Assets Account Group:

	<u>Balance January 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 1999</u>
Land	\$ 1,050,232	\$ 38,129	\$ -	\$ 1,088,361
Buildings and improvements	2,779,660	6,731	-	2,786,391
Vehicles	1,102,208	93,985	(68,587)	1,127,606
Machinery and equipment	1,022,046	114,731	-	1,136,777
	<u>\$ 5,954,146</u>	<u>\$ 253,576</u>	<u>\$ (68,587)</u>	<u>\$ 6,139,135</u>

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

**NOTE E INTERGOVERNMENTAL REVENUE**

Intergovernmental revenue by source is summarized as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
U.S. Department of Justice		
Bulletproof Vest Partnership Grant	\$ 2,000	\$ -
Commonwealth of Pennsylvania		
Department of Transportation	-	327,274
Department of Community and Economic Development	15,000	-
Police and non-uniformed pension	175,116	-
Fire company allocation	110,291	-
Alcoholic beverages tax	3,800	-
Public Utility Realty tax	50,616	-
Act 339 Grant	-	-
	<u>\$ 356,823</u>	<u>\$ 327,274</u>

Approximately 9% of all Township receipts represents federal, state and county grants.

# **TOWNSHIP OF LOWER PROVIDENCE**

## **NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

### **NOTE F RELATED-PARTY TRANSACTIONS**

On November 15, 1995, the Township entered into a note payable through the issuance of General Obligation Bonds (Note H) with the Municipal Authority to finance capital improvements to the General Washington Recreation Center. The Authority has signed several promissory notes payable to the Township due to the Authority's inability to meet its share of the annual debt service requirements. No payments on the promissory notes are due until maturity. The first note is scheduled to mature November 2002. An interest rate of 3.65% per annum is payable at maturity. The balance outstanding of all the promissory notes at December 31, 1999, is \$1,872,401. In addition, the Municipal Authority owes the Township \$17,000 for additional services and a copier provided from 1995 through 1997.

The Sewer Authority has a month-to-month written lease with the Township for office space at \$275 per month. Annual rent expense is \$3,300.

### **NOTE G ESCROW DEPOSITS**

The Township specifies building and land improvement requirements as a condition to the issuance of building permits. These escrows represent funds from independent builders that are returned upon the completion of required improvements to various properties within the Township. The escrow balance is maintained in the cash accounts of the Township.

The Sewer Authority enters into agreements with various real estate owners whereby each owner deposits funds with the Sewer Authority, the proceeds of which would be used to pay engineering, legal and other administrative costs incurred relating to the owner's request to be connected to the Sewer Authority's sewage collection system.

**TOWNSHIP OF LOWER PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 1999*

**NOTE H      BONDS AND NOTES PAYABLE**

During the year ended December 31, 1999, the following changes occurred in liabilities reported as bonds and notes payable:

	<u>Balance Outstanding January 1, 1999</u>	<u>Proceeds (Redemptions)</u>	<u>Balance Outstanding December 31, 1999</u>
<b>PRIMARY GOVERNMENT</b>			
General Obligation Bonds, Series of 1994, with annual principal and interest ranging from 4.3% to 5.25%, due through December 2004	\$      600,000	\$      (90,000)	\$      510,000
General Obligation Bonds, Series of 1995, with annual principal and interest ranging from 3.65% to 5.25%, due through May 2022	4,145,000	(150,000)	3,995,000
General Obligation Note, Series of 1997, with principal only due through December 2006	257,473	(32,184)	225,289
General Obligation Bonds, Series of 1998, with principal and interest ranging from 3.4% to 4.55%, due through December 2024	<u>4,815,000</u>	<u>(5,000)</u>	<u>4,810,000</u>
<b>TOTAL PRIMARY GOVERNMENT FORWARD</b>	<u>\$    9,817,473</u>	<u>\$    (277,184)</u>	<u>\$    9,540,289</u>

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

	Balance Outstanding January 1, 1999	Proceeds (Redemptions)	Balance Outstanding December 31, 1999
	<u>                    </u>	<u>                    </u>	<u>                    </u>
PRIMARY GOVERNMENT			
TOTAL PRIMARY GOVERNMENT FORWARD	\$ 9,817,473	\$ (277,184)	\$ 9,540,289
 COMPONENT UNITS			
Guaranteed Sewer Revenue Bonds, Series of 1992, with principal and interest ranging from 6% to 6.1%, due through May 2002	890,000	(205,000)	685,000
Guaranteed Sewer Revenue Bonds, Series of 1995, with principal and interest ranging from 4.3% to 5.25%	<u>19,455,000</u>	<u>(250,000)</u>	<u>19,205,000</u>
TOTAL COMPONENT UNITS	<u>20,345,000</u>	<u>(455,000)</u>	<u>19,890,000</u>
	<u>\$ 30,162,473</u>	<u>\$ (732,184)</u>	<u>\$ 29,430,289</u>

On June 1, 1994, the Township issued General Obligation Bonds, Series of 1994, for \$5,235,000. The proceeds from the issuance were used to (1) acquire and improve the General Washington Recreation Center, (2) reimburse the Township for capital costs previously incurred, (3) capitalize interest through June 1, 1995, (4) provide initial working capital and (5) pay the costs related to the issuance of the bonds. During 1998, these bonds were partially refunded leaving remaining annual principal and interest payments due ranging from \$95,000 to \$115,000 and \$6,038 to \$290,745, respectively, through December 2004.

On November 15, 1995, the Township issued General Obligation Bonds, Series of 1995, for \$4,495,000. Principal and interest payments were scheduled to begin on May 1, 1996, and continue through May 2022, with an annual debt service requirement ranging from \$204,550 to \$355,557.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

On June 30, 1997, the Township issued \$321,841 of a General Obligation Note, Series of 1997, as part of the Montgomery County Infrastructure Loan Program. The proceeds are to be used for improvements to public infrastructure. Payments of principal only were scheduled to begin December 31, 1997, and continue through December 2006, with an annual amount due of \$32,184.

On October 15, 1998, the Township issued General Obligation Bonds, Series of 1998, for \$4,815,000. The proceeds from the issuance will be used to (1) refund a portion of the Township's outstanding General Obligation Bonds, Series of 1994 (\$4,315,000) and (2) pay costs related to the issuance of the bonds. Payments of principal and interest are scheduled to begin December 1, 1999, and continue through December 2024, with an annual debt service requirement ranging from \$234,655 to \$358,012.

On April 30, 1992, the Sewer Authority's Board of Directors authorized the issuance of Sewer Revenue Bonds in the amount of \$11,800,000. During the year ended June 30, 1996, the Sewer Authority authorized the issuance of the Series of 1995 Guaranteed Sewer Revenue Bonds. A portion of the proceeds of the 1995 issuance was used to finance the advanced refunding of the outstanding Series of 1992 Sewer Revenue Bonds maturing on or after May 1, 2003. The advanced refunding resulted in a deferred loss on debt refunding of \$1,125,202.

According to governmental generally accepted accounting principles (GGAAP), this deferred loss is to be amortized over the original remaining life of the refunded debt, which is May 1, 2022. Amortization is included as a component of interest expense and totaled \$43,277 for the year ended June 30, 1999. The remaining portion of the Series of 1995 was to finance expansion and improvements of the sewer system.

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments, are as follows:

<u>Year Ended December 31,</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
2000	\$ 742,040	\$ 1,496,985	\$ 2,239,025
2001	734,641	1,497,555	2,232,196
2002	731,667	1,496,403	2,228,070
2003	742,690	1,492,585	2,235,275
2004	742,492	1,491,190	2,233,682
2005 and thereafter	<u>11,743,861</u>	<u>26,615,987</u>	<u>38,359,848</u>
	<u>\$ 15,437,391</u>	<u>\$ 34,090,705</u>	<u>\$ 49,528,096</u>

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

**NOTE I CAPITAL LEASE OBLIGATIONS**

**Primary Government**

The Township has entered into four lease agreements as a lessee for financing the acquisition of various equipment and a vehicle. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded in the General Fixed Assets Account Group. The following is an analysis of the capital leases for 1999:

	<u>General Fixed Assets</u>
Vehicles	\$ 143,462
Machinery and equipment	<u>98,291</u>
	<u>\$ 241,753</u>

**Component Unit**

The Municipal Authority has entered into four lease agreements as a lessee for financing the acquisition of a pro shop building and various equipment. The following is an analysis of the capital leases for 1999:

Building and improvements	\$ 119,354
Furniture, fixtures and equipment	119,155
Accumulated depreciation	<u>(62,687)</u>
	<u>\$ 175,822</u>

**TOWNSHIP OF LOWER PROVIDENCE****NOTES TO FINANCIAL STATEMENTS***December 31, 1999*

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at December 31, 1999:

<u>Year Ended December 31,</u>	<u>General Long-Term Debt</u>	<u>Component Units</u>
2000	\$ 53,249	\$ 39,029
2001	44,022	29,273
2002	5,624	31,057
2003	-	-
2004 and thereafter	-	-
	<u>102,895</u>	<u>99,359</u>
Amount representing interest	<u>(8,256)</u>	<u>(8,959)</u>
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	\$ <u>94,639</u>	\$ <u>90,400</u>

**NOTE J****DEFEASED DEBT - COMPONENT UNIT**

In prior years, the Sewer Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued, and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Sewer Authority's accounts. As of June 30, 1999, the amount of defeased debt outstanding but removed from the accounts amounted to \$10,040,000.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### NOTE K PENSION PLANS - TOWNSHIP

#### Plan Descriptions

The Township of Lower Providence sponsors a single employer defined benefit police pension plan for police officers and a single-employer defined benefit non-uniformed pension plan for municipal employees of the Township. These plans are included in the Pension Trust Fund of the Township of Lower Providence and are controlled by various ordinances adopted pursuant to Pennsylvania Act 205.

#### Police Pension Plan

The Township of Lower Providence sponsors a public employee retirement system (PERS) to provide pension benefits for police officers of the Township. The pension plan provides retirement benefits as well as death and disability benefits. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 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 average salary over the last three years of credited service.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the amounts necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The annual contribution for 1999 was \$113,532.

#### Non-Uniformed Employees Pension Plan

The Township of Lower Providence sponsors a public employee retirement system (PERS) to provide pension benefits for non-uniformed employees of the Township.

The pension plan provides retirement as well as death and disability benefits. All benefits are fully vested at 14 years of credited service. Employees who retire at or after age 60 (with ten years of service) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of average salary reduced by 50% of the social security benefit. Final average salary is the employee's average salary, excluding overtime, over the last five years of credited service. An option for early retirement is available for employees who reach the age of 55 and have completed 15 years of service.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the amounts necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The annual contribution for 1999 was \$89,895.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### Basis of Accounting

The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company.

### Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

### Expenses

Investment expenses consist of investment management, custodial fees and other significant investment-related costs. Administrative expenses consist of consulting, actuarial, legal and accounting services, along with any other significant plan-related costs. The above expenses are allowable pension plan expenditures and may be funded with plan assets.

### Deposits and Investments

The Governmental Accounting Standards Board, in Statement No. 3 (GASB 3), requires certain note disclosures about governmental entities' deposits with financial institutions, investments (including repurchase agreements) and reversed repurchased agreements. The disclosures required by GASB 3 will provide readers with information about credit and market risks. As of the date of this financial statement, since the investment institution did not provide the disclosure information required by GASB 3, we are assuming the information below to be correct:

	<u>Fair Value</u>	<u>Carrying Amount</u>
ASSETS AT CONTRACT VALUE		
Police	\$ 5,425,097	\$ 5,425,097
Non-Uniformed	978,953	978,953

# **TOWNSHIP OF LOWER PROVIDENCE**

## **NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

### **Contribution Requirements**

#### **Act 205**

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the Minimum Municipal Obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

#### **Funding Policy**

As a condition of participation, full-time employees are not required to contribute to the plan. Furthermore, the Township allocates state aid received from the Commonwealth of Pennsylvania to this plan. To the extent that these fundings are not adequate, the Township would then be required to contribute. In accordance with Act 205, the Township was required to contribute \$28,311 to the plan for the year 1999.

#### **Financial Reporting**

The Township issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained at the Township Building, 100 Parklane Drive, Eagleville, PA 19403, Attention: Ms. Elizabeth Tanay, Treasurer.

#### **Schedule of Funding Progress**

The six-year historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biannually, except for distressed pension plans, which require annual reporting.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### Police Pension Plan

Actuarial Valuation Date January 1,	Actuarial Value of Assets	Accrued Liability	Percentage Funded (1)/(2)	Unfunded (Assets in Excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded Accrued Liability as a Percentage of Payroll (4)/(5)
1989	\$ 1,831,030	\$ 1,566,031	116.9%	\$ (264,999)	\$ 685,833	N/A
1991	2,393,099	1,863,611	128.4	(529,488)	851,660	N/A
1993	2,919,079	2,533,632	115.2	(385,447)	951,873	N/A
1995	3,545,574	3,108,446	114.1	(437,128)	1,086,284	N/A
1997	4,314,708	4,107,390	105.0	(207,318)	1,249,655	N/A
1999	5,035,497	4,817,115	104.5	(218,382)	1,341,036	N/A

### Non-Uniformed Employees Pension Plan

Actuarial Valuation Date January 1,	Actuarial Value of Assets	Accrued Liability	Percentage Funded (1)/(2)	Unfunded (Assets in Excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded Accrued Liability as a Percentage of Payroll (4)/(5)
1989	\$ 179,534	\$ 117,187	153.2%	\$ (62,347)	\$ 467,019	N/A
1991	245,405	230,099	106.7	(15,306)	576,260	N/A
1993	346,810	564,841	61.3	218,031	655,766	33.2%
1995	481,306	599,411	80.3	118,105	726,902	1.3
1997	693,477	758,055	91.5	64,578	838,003	7.7
1999	896,419	1,216,989	73.7	320,570	843,829	38.0

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

**TOWNSHIP OF LOWER PROVIDENCE****NOTES TO FINANCIAL STATEMENTS***December 31, 1999*

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

**Schedule of Contributions from Employer and Other Contributing Entities****Police Pension Plan**

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1997	\$ 87,741	100%
1998	85,401	100
1999	113,532	100

**Non-Uniformed Employees Pension Plan**

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1997	\$ 79,137	100%
1998	82,321	100
1999	89,895	100

**TOWNSHIP OF LOWER PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

Actuarial valuation information as of the latest actuarial valuation date follows:

**Police Pension Plan**

Actuarial valuation date.....	January 1, 1999
Actuarial cost method .....	Entry age normal cost
Amortization method .....	N/A
Remaining amortization period .....	N/A
Asset valuation method.....	Fair value
Actuarial assumptions	
Investment rate of return* .....	8%
Projected salary increases* .....	5%

\*Includes inflation

**Non-Uniformed Employees Pension Plan**

Actuarial valuation date.....	January 1, 1999
Actuarial cost method .....	Entry age normal cost
Amortization method .....	N/A
Remaining amortization period .....	N/A
Asset valuation method.....	Fair value
Actuarial assumptions	
Investment rate of return* .....	6%
Projected salary increases* .....	3%

\*Includes inflation

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### NOTE L PENSION PLAN - SEWER AUTHORITY

#### Plan Description

The Sewer Authority pension plan is a single-employer, defined benefit pension plan controlled by the provisions of Resolution No. 95-4 adopted pursuant to Act 15. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

#### Benefit Provisions

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

#### Contributions

In accordance with the plan's governing resolution, members are not required to contribute to the plan.

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

#### Annual Pension Cost

The Sewer Authority's annual pension cost of \$36,299 was equal to the Sewer Authority's required and actual contributions. Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included as part of the January 1, 1997 valuation were (a) 6.5% investment rate of return (net of expenses) and (b) projected salary increases of 5.71% per year. The actuarial value of plan assets was determined by fair value as of the valuation date.

**TOWNSHIP OF LOWER PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 1999*

**Three-Year Trend Information**

Year Ended  
December 31,

1997  
 1998  
 1999

**Schedule of Funding Progress**

Actuarial Valuation Date <u>January 1,</u>	Actuarial Value of Assets <u>(a)</u>
1997	\$ 297,163

**NOTE M      LONG-TERM SERVICE AGREEMENT**

The Authority has a service agreement for the treatment of sewage collected by the Montgomery County Sewer Authority dated June 1964 and stipulates a fee for the service. The fee is subject to change.

The Authority paid \$197,735 in fees for the year ended December 31, 1999.

# TOWNSHIP OF LOWER PROVIDENCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### NOTE N CONTRIBUTED CAPITAL

#### Municipal Authority

##### Montgomery County Open Space Acquisition Grant

During 1994, the Municipal Authority received a capital contribution in the amount of \$1,184,644 from the Township as a subrecipient of the Montgomery County Open Space Acquisition Grant awarded to the Township. Accordingly, the deed to the General Washington Recreation Center was recorded as such, that parcel A was purchased, in part, with funds provided by the Montgomery County Open Space Grant and shall be maintained as open space in accordance with the Montgomery County Open Space Program.

##### Commonwealth of Pennsylvania Legislative Initiative Program Grant

During 1995, the Municipal Authority received a capital contribution in the amount of \$20,000 from the Commonwealth of Pennsylvania Department of Community Affairs. The grant proceeds were used for making the ice skating rink more comfortable and safer for the recreational use by the general public.

#### Sewer Authority

Contributed capital consists of sewer connection fees paid by property owners and portions of the sewer system constructed by developers.

Assets acquired by contributed capital are depreciated over the life of the sewer system. An amount equal to the depreciation is transferred to retained earnings on the statement of revenue, expenses and changes in retained earnings (deficit).

### NOTE O COMMITMENTS AND CONTINGENCIES

#### Guaranteed Sewer Revenue Bonds, Series of 1992

On April 15, 1992, the Township unconditionally pledged its full faith, credit and taxing power for payment of any and all amounts becoming due under the Lower Providence Township Sewer Authority's Guaranteed Sewer Revenue Bonds, Series of 1992, for \$11,800,000 (Note H).

# **TOWNSHIP OF LOWER PROVIDENCE**

## **NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

### **Guaranteed Sewer Revenue Bonds, Series of 1995**

On November 15, 1995, the Township unconditionally pledged its full faith, credit and taxing power for payment of any and all amounts becoming due under the Lower Providence Township Sewer Authority's Guaranteed Sewer Revenue Bonds, Series of 1995, for \$20,360,000 (Note H).

### **Sick Leave**

The Township does not accrue accumulated sick leave, but expenses these costs as paid. At December 31, 1999, the accumulated unused sick leave approximated \$101,679. Municipal employees earn sick leave at a rate of 5/6 of a day for each month of continuous service from the date of hire. An employee may accumulate a maximum of 100 sick leave days. Upon termination, employees shall be paid 20% of the accumulated unused sick leave at their regular pay rate.

### **Litigation**

The Township is party to litigation involving various Township matters. Based on the opinion of its legal counsel, the Township officials feel that the outcome of any suits will not have a material effect on the financial condition of the Township.

A suit has been filed against the Municipal Authority claiming damages in excess of \$50,000. Apparently there is no insurance coverage for this claim because the incident occurred prior to the Authority's ownership of the General Washington Recreation Center. As a result of the lack of insurance coverage, it is possible that the Authority may incur liability on this claim. However, the Authority feels that it has a very strong defense in that it did not own the property at the time of the accident, which allegedly occurred in 1993.

### **Arbitration Claim - Component Unit**

The Montgomery County Sewer Authority has initiated an arbitration claim against the Sewer Authority as the result of a dispute over treatment charges. The Sewer Authority is vigorously defending this claim, but the outcome cannot be assessed. The Sewer Authority is placing the disputed amounts in an escrow amount pending the final disposition of the claim. As of June 30, 1999, the total amount in escrow was \$88,372.

# **TOWNSHIP OF LOWER PROVIDENCE**

## **NOTES TO FINANCIAL STATEMENTS**

*December 31, 1999*

### **NOTE P RISK MANAGEMENT**

The Township is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **NOTE Q SUBSEQUENT EVENT - COMPONENT UNIT**

Pursuant to the Memorandum of Understanding dated February 3, 2000, by and among the Municipal Authority and Entersport Capital Advisors, Inc. ("EnterSport"), the Authority has agreed to lease, on January 1, 2001, all of its property to a nonprofit corporation to be formed pursuant to Section 501(c)(3) of the Internal Revenue Code. It is contemplated that substantially all of the Authority's existing facilities will be demolished and replaced with new facilities by this nonprofit corporation. Financing of the project shall be provided from the issuance of approximately \$7,000,000 in bonds by the nonprofit corporation and by approximately \$1,000,000 of capital outlay by EnterSport. The facilities lease will limit the use of the property to a recreation facility in a manner consistent with the IRS determination letter to be obtained by the nonprofit corporation. Also, EnterSport must obtain written approval from Montgomery County that the project does not violate any provision of the open space funding for the Club or any restrictions imposed upon the Authority, Township or the real property of the Club or portion thereof. The nonprofit corporation will enter into a Management Agreement with EnterSport for the management and operation of the new recreation facility. The Board of Directors of the nonprofit corporation shall be appointed by the Authority (2), the Township (2) and by EnterSport (1). In the event that any of the conditions specified in the Memorandum of Understanding are not achieved within the time period specified therein, either the Authority or the Township may unilaterally terminate the Memorandum of Understanding at any time thereafter by giving written notice to EnterSport.



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**Independent Auditors' Report on Additional Information**

To the Board of Supervisors  
Township of Lower Providence  
Eagleville, Pennsylvania

Our report on our audit of the general purpose financial statements of the Township of Lower Providence, Eagleville, Pennsylvania, for 1999 appears on page 1. That audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Maillie, Falconiero & Company, LLP*

February 18, 2000

**TOWNSHIP OF LOWER PROVIDENCE**  
**SCHEDULE OF SELECTED REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
*Year Ended December 31, 1999*

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>TAXES</b>			
Real estate taxes			
Current	\$ 716,700	\$ 713,241	\$ (3,459)
Delinquent	20,000	16,520	(3,480)
Interim	6,000	20,740	14,740
Per capita tax			
Current	55,000	54,553	(447)
Delinquent	4,000	5,746	1,746
Real estate transfer tax	250,000	559,071	309,071
Earned income taxes	2,775,000	2,798,330	23,330
Occupational privilege taxes	40,000	48,452	8,452
Other	2,700	1,901	(799)
	<u>\$ 3,869,400</u>	<u>\$ 4,218,554</u>	<u>\$ 349,154</u>
<b>GENERAL GOVERNMENT</b>			
Salaries and wages	\$ 229,854	\$ 212,796	\$ 17,058
Commissions on tax collections	25,200	25,991	(791)
Contracted services	124,363	95,589	28,774
Engineering	-	-	-
General expenses	139,030	129,667	9,363
Legal and accounting	162,521	178,503	(15,982)
Repairs and maintenance	2,250	5,522	(3,272)
Capital outlay	50,000	10,980	39,020
	<u>\$ 733,218</u>	<u>\$ 659,048</u>	<u>\$ 74,170</u>
<b>PUBLIC SAFETY</b>			
Salaries and wages	\$ 1,806,007	\$ 1,772,261	\$ 33,746
Contributions	238,100	244,291	(6,191)
Contracted services	36,817	45,817	(9,000)
General expenses	137,230	120,536	16,694
Hydrant rental	75,000	79,024	(4,024)
Repairs and maintenance	24,150	12,890	11,260
Capital outlay	121,250	123,559	(2,309)
	<u>\$ 2,438,554</u>	<u>\$ 2,398,378</u>	<u>\$ 40,176</u>

**TOWNSHIP OF LOWER PROVIDENCE**  
**SCHEDULE OF SELECTED REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
*Year Ended December 31, 1999*

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>HEALTH AND SANITATION</b>			
Contributions	\$ 6,600	\$ 2,100	\$ 4,500
Contracted services	-	3,750	(3,750)
Supplies	<u>7,000</u>	<u>9,341</u>	<u>(2,341)</u>
	<u>\$ 13,600</u>	<u>\$ 15,191</u>	<u>\$ (1,591)</u>
<b>HIGHWAYS AND STREETS</b>			
Salaries and wages	\$ 417,332	\$ 319,826	\$ 97,506
Contracted services	-	2,116	(2,116)
General expenses	17,750	10,621	7,129
Fuel	9,840	5,952	3,888
Materials	27,000	20,456	6,544
Repairs and maintenance	9,500	12,452	(2,952)
Capital outlay	<u>407,500</u>	<u>328,156</u>	<u>79,344</u>
	<u>\$ 888,922</u>	<u>\$ 699,579</u>	<u>\$ 189,343</u>
<b>MISCELLANEOUS</b>			
Pension expense	\$ 203,430	\$ 205,809	\$ (2,379)
Workers compensation	66,121	59,441	6,680
Unemployment compensation	13,500	13,845	(345)
Health and life insurance	437,900	429,380	8,520
Payroll taxes	172,100	177,327	(5,227)
Property insurance	50,000	39,869	10,131
Other	<u>31,000</u>	<u>2,212</u>	<u>28,788</u>
	<u>\$ 974,051</u>	<u>\$ 927,883</u>	<u>\$ 46,168</u>

**TOWNSHIP OF LOWER PROVIDENCE**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*Year Ended December 31, 1999*

	<u>Municipal Authority</u>	<u>Sewer Authority</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Inspection and service fees	\$ -	\$ 19,521	\$ 19,521
Sewer rental	-	1,340,458	1,340,458
Golf	743,032	-	743,032
Ice skating	130,992	-	130,992
Catering	655,069	-	655,069
Pool	73,323	-	73,323
Other	1,960	173	2,133
	<u>\$ 1,604,376</u>	<u>\$ 1,360,152</u>	<u>\$ 2,964,528</u>
<b>OPERATING EXPENSES</b>			
Billing and collection services	\$ -	\$ 16,047	\$ 16,047
Bad debt expense	31,042	-	31,042
Chemicals, fertilizer and seeds	30,101	-	30,101
Consulting fees	-	10,107	10,107
Depreciation	169,692	472,268	641,960
Employee benefits	-	52,384	52,384
Equipment rental	58,440	-	58,440
Fees	16,794	-	16,794
Gas and oil	6,195	-	6,195
Insurance	33,590	19,512	53,102
Management fees	142,000	-	142,000
Other operating expenses	56,252	22,962	79,214
Payroll taxes	-	20,680	20,680
Pension costs	-	36,299	36,299
Professional fees	29,692	22,593	52,285
Promotion and advertising	45,938	-	45,938
Purchases	242,994	-	242,994
Rent	-	3,300	3,300
Repairs and maintenance	121,335	57,243	178,578
Salaries and wages	718,513	260,415	978,928
Sanitation expense	14,621	-	14,621
Supplies	63,505	2,954	66,459
Telephone	14,619	5,908	20,527
Treatment charges	-	197,735	197,735
Uniforms	7,430	-	7,430
Utilities	122,557	44,915	167,472
	<u>\$ 1,925,310</u>	<u>\$ 1,245,322</u>	<u>\$ 3,170,632</u>

