

TOWNSHIP OF LOWER PROVIDENCE

FINANCIAL STATEMENTS

DECEMBER 31, 2003

(See Independent Auditors' Report)



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Township of Lower Providence
Eagleville, Pennsylvania

We have audited the accompanying general-purpose financial statements of Lower Providence Township, Montgomery County, Pennsylvania, as of and for the year ended December 31, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of Lower Providence Township'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 statement of the Lower Providence Sewer Authority (Component Unit). Those financial statement were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Lower Providence Township Sewer Authority, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lower Providence Township, Montgomery County, Pennsylvania, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Lower Providence Township, Montgomery County, Pennsylvania. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Bee, Bergvall & Co

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

March 15, 2004

Proprietary Funds	Fiduciary Funds	Account Groups		Total Primary Government (Memorandum Only)	Component Units Proprietary Type	Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations			
Enterprise	Trust and Agency					
\$ 81,288	\$ -	\$ -	\$ -	\$ 4,150,218	\$ 1,155,156	\$ 5,305,374
-	-	-	-	-	8,209,314	8,209,314
-	-	-	-	38,612	-	38,612
-	-	-	-	-	32,243	32,243
214,484	-	-	-	348,911	28,116	377,027
-	-	-	-	35,640	3,938	39,578
-	-	-	-	-	28,579	28,579
-	-	-	-	61,552	-	61,552
-	33,797	-	-	109,779	-	109,779
<u>295,772</u>	<u>33,797</u>	<u>-</u>	<u>-</u>	<u>4,744,712</u>	<u>9,457,346</u>	<u>14,202,058</u>
-	534,534	-	-	534,534	1,054,554	1,589,088
-	-	-	-	-	4,008,686	4,008,686
-	3,873,225	-	-	3,873,225	-	3,873,225
-	2,907,261	-	-	2,907,261	-	2,907,261
-	2,031,565	-	-	2,031,565	-	2,031,565
-	30,277	-	-	30,277	-	30,277
-	23,692	-	-	23,692	-	23,692
<u>-</u>	<u>9,400,554</u>	<u>-</u>	<u>-</u>	<u>9,400,554</u>	<u>5,063,240</u>	<u>14,463,794</u>
3,621,697	-	13,819,458	-	17,441,155	19,358,534	36,799,689
536,821	-	-	-	536,821	1,634,288	2,171,109
-	-	-	5,967,945	5,967,945	-	5,967,945
-	-	-	2,446,701	2,446,701	-	2,446,701
<u>\$ 4,454,290</u>	<u>\$ 9,434,351</u>	<u>\$ 13,819,458</u>	<u>\$ 8,414,646</u>	<u>\$ 40,537,888</u>	<u>\$ 35,513,408</u>	<u>\$ 76,051,296</u>

See accompanying notes to financial statements

Proprietary Funds	Fiduciary Funds	Account Groups		Total Primary Government (Memorandum Only)	Component Units Proprietary Type	Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations			
Enterprise	Trust and Agency					
\$ -	\$ -	\$ -	\$ 369,501	\$ 369,501	\$ 580,000	\$ 949,501
3,272	-	-	-	422,977	540,145	963,122
-	-	-	-	-	154,137	154,137
-	35,764	-	-	61,552	-	61,552
-	-	-	-	387	-	387
<u>3,272</u>	<u>35,764</u>	<u>-</u>	<u>369,501</u>	<u>854,417</u>	<u>1,274,282</u>	<u>2,128,699</u>
<u>2,350</u>	<u>239,835</u>	<u>-</u>	<u>-</u>	<u>242,185</u>	<u>162,735</u>	<u>404,920</u>
<u>2,350</u>	<u>239,835</u>	<u>-</u>	<u>-</u>	<u>242,185</u>	<u>162,735</u>	<u>404,920</u>
-	-	-	7,864,369	7,864,369	16,454,375	24,318,744
-	-	-	6,182	6,182	-	6,182
-	-	-	174,594	174,594	-	174,594
-	-	-	8,045,145	8,045,145	16,454,375	24,499,520
<u>5,622</u>	<u>275,599</u>	<u>-</u>	<u>8,414,646</u>	<u>9,141,747</u>	<u>17,891,392</u>	<u>27,033,139</u>
-	-	13,819,458	-	13,819,458	-	13,819,458
-	-	-	-	-	14,670,209	14,670,209
4,448,668	-	-	-	4,448,668	2,951,807	7,400,475
-	9,158,752	-	-	9,158,752	-	9,158,752
-	-	-	-	919,935	-	919,935
-	-	-	-	3,049,328	-	3,049,328
<u>4,448,668</u>	<u>9,158,752</u>	<u>13,819,458</u>	<u>-</u>	<u>31,396,141</u>	<u>17,622,016</u>	<u>49,018,157</u>
<u>\$ 4,454,290</u>	<u>\$ 9,434,351</u>	<u>\$ 13,819,458</u>	<u>\$ 8,414,646</u>	<u>\$ 40,537,888</u>	<u>\$ 35,513,408</u>	<u>\$ 76,051,296</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Fund Types

December 31, 2003

	<u>Governmental Fund Types</u>				<u>Total Primary Gov't (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues					
Taxes	\$ 4,899,201	\$ 512,985	\$ 188,242	\$ -	\$ 5,600,428
Fees, licenses and permits	216,024	-	-	-	216,024
Interest and rent	116,998	6,958	1,180	16,896	142,032
Intergovernmental revenues	512,777	382,240	-	-	895,017
Fines and forfeitures	97,273	-	-	-	97,273
Program revenues	904,600	218,159	-	-	1,122,759
Other	555,903	65,726	119,924	800,507	1,542,060
Total Revenues	<u>7,302,776</u>	<u>1,186,068</u>	<u>309,346</u>	<u>817,403</u>	<u>9,615,593</u>
Expenditures					
Current					
General government	1,076,678	1,250	-	-	1,077,928
Public safety	3,124,369	2,556	-	-	3,126,925
Highways and roads	1,379,083	380,189	-	-	1,759,272
Health and sanitation	16,043	-	-	-	16,043
Culture and recreation	435	824,278	-	-	824,713
Miscellaneous	1,403,109	67,696	4,841	-	1,475,646
Debt service	-	-	742,689	-	742,689
Capital projects	200,799	13,053	-	812,091	1,025,943
Total Expenditures	<u>7,200,516</u>	<u>1,289,022</u>	<u>747,530</u>	<u>812,091</u>	<u>10,049,159</u>
Excess (Deficiency) of Revenues Over Expenditures	102,260	(102,954)	(438,184)	5,312	(433,566)
Other Financing Sources (Uses)					
Proceeds from sale of general fixed assets	4,170	-	-	-	4,170
Interfund transfers in	298,005	60,000	446,981	242,386	1,047,372
Interfund transfers out	(656,981)	(242,386)	(175,000)	(17,705)	(1,092,072)
Total Other Financing Sources (Uses)	<u>(354,806)</u>	<u>(182,386)</u>	<u>271,981</u>	<u>224,681</u>	<u>(40,530)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(252,546)	(285,340)	(166,203)	229,993	(474,096)
Fund Balance - Beginning	2,542,960	423,672	249,148	1,015,603	4,231,383
Prior Period Adjustment	25,000	92,302	-	94,674	211,976
Fund Balance - Ending	<u>\$ 2,315,414</u>	<u>\$ 230,634</u>	<u>\$ 82,945</u>	<u>\$ 1,340,270</u>	<u>\$ 3,969,263</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - All Proprietary Fund Types

December 31, 2003

Operating Revenues	
Collections	\$ 1,534,914
Program revenues	532,518
Other revenues	<u>3,121</u>
Total Operating Revenues	<u>2,070,553</u>
Operating Expenditures	
Operations	1,859,579
General and administrative	<u>105,551</u>
Total Operating Expenditures	<u>1,965,130</u>
Operating Income Before Depreciation	105,423
Depreciation Expenses	<u>60,710</u>
Operating Income (Loss)	<u>44,713</u>
Nonoperating Revenues (Expense)	
Net earnings on investments	2,873
Miscellaneous revenues	13,556
Amortization expense	<u>(42,966)</u>
Total Nonoperating Revenues (Expense)	<u>(26,537)</u>
Income (Loss) Before Operating Transfers	<u>18,176</u>
Operating transfers in	150,000
Operating transfers out	<u>(105,300)</u>
Net Income (Loss)	62,876
Retained Earnings - Beginning	4,558,283
Prior Period Adjustment	<u>(172,491)</u>
Retained Earnings - Ending	<u>\$ 4,448,668</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balance – All Trust and Agency Funds

December 31, 2003

Additions

Contributions

State contributions	\$ 228,658
Employer contributions	<u>65,325</u>
Total Contributions	<u>293,983</u>

Investment Income

Net appreciation (depreciation) in
fair value of investments

1,210,118

Dividends

56,735

Interest

163,378

1,430,231

Less: Investment expense

(80,606)

Net Investment Income

1,349,625

Total Additions

1,643,608

Deductions

Actuary fees

6,720

Benefits

290,166

Total Deductions

296,886

Net Increase

1,346,722

Net Assets Held in Trust for Pension Benefits:

Beginning of Year

7,812,030

End of Year

\$ 9,158,752

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual (Budgetary Basis) -
All Governmental Fund Types

December 31, 2003

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>Variance - Over (Under)</u>
Revenues			
Taxes	\$ 4,733,250	\$ 4,887,490	\$ 154,240
Fees, licenses and permits	199,700	125,644	(74,056)
Interest and rent	48,400	41,625	(6,775)
Intergovernmental revenues	1,252,567	512,777	(739,790)
Fines and forfeitures	90,100	104,071	13,971
Program revenues	600,575	885,937	285,362
Other	141,150	599,189	458,039
Total Revenues	<u>7,065,742</u>	<u>7,156,733</u>	<u>90,991</u>
Expenditures			
Current			
General government	937,775	949,628	11,853
Public safety	2,931,195	3,012,539	81,344
Health and human services	5,214	4,214	(1,000)
Highways and roads	594,658	595,715	1,057
Sanitation	12,000	11,829	(171)
Culture and recreation	-	-	-
Miscellaneous	1,572,432	1,466,448	(105,984)
Debt service	-	-	-
Capital projects	2,316,144	1,149,796	(1,166,348)
Total Expenditures	<u>8,369,418</u>	<u>7,190,169</u>	<u>(1,179,249)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,303,676)</u>	<u>(33,436)</u>	<u>1,270,240</u>
Other Financing Sources (Uses)			
Proceeds from sale of general fixed assets	5,000	4,170	(830)
Operating transfers in	545,600	298,005	(247,595)
Operating transfers out	(821,981)	(656,981)	165,000
Total Other Financing Sources (Uses)	<u>(271,381)</u>	<u>(354,806)</u>	<u>(83,425)</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>(1,575,057)</u>	<u>(388,242)</u>	<u>1,186,815</u>
Fund Balance - Beginning	2,763,425	2,542,960	(220,465)
Prior Period Adjustment	-	25,000	25,000
Fund Balance - Ending	<u>\$ 1,188,368</u>	<u>\$ 2,179,718</u>	<u>\$ 991,350</u>

<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUNDS</u>			<u>CAPITAL PROJECT FUNDS</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>Variance - Over (Under)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>Variance - Over (Under)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>Variance - Over (Under)</u>
\$ 510,779	\$ 511,109	\$ 330	\$ 187,456	\$ 187,553	\$ 97	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
16,750	6,957	(9,793)	1,000	1,180	180	23,800	16,896	(6,904)
357,000	382,240	25,240	-	-	-	16,305	-	(16,305)
-	-	-	-	-	-	-	-	-
212,250	218,159	5,909	-	-	-	-	-	-
19,850	65,726	45,876	119,925	119,924	(1)	608,000	800,507	192,507
<u>1,116,629</u>	<u>1,184,191</u>	<u>67,562</u>	<u>308,381</u>	<u>308,657</u>	<u>276</u>	<u>648,105</u>	<u>817,403</u>	<u>169,298</u>
-	-	-	-	-	-	-	-	-
2,800	2,556	(244)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
403,663	362,181	(41,482)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
807,179	822,598	15,419	-	-	-	-	-	-
79,403	67,984	(11,419)	5,000	4,841	(159)	-	-	-
-	-	-	742,690	742,689	(1)	-	-	-
17,600	12,270	(5,330)	-	-	-	697,631	793,767	96,136
<u>1,310,645</u>	<u>1,267,589</u>	<u>(43,056)</u>	<u>747,690</u>	<u>747,530</u>	<u>(160)</u>	<u>697,631</u>	<u>793,767</u>	<u>96,136</u>
<u>(194,016)</u>	<u>(83,398)</u>	<u>110,618</u>	<u>(439,309)</u>	<u>(438,873)</u>	<u>436</u>	<u>(49,526)</u>	<u>23,636</u>	<u>73,162</u>
-	-	-	-	-	-	-	-	-
60,000	60,000	-	446,981	446,981	-	132,974	242,386	109,412
(132,974)	(242,386)	(109,412)	-	(175,000)	(175,000)	(110,600)	(17,705)	92,895
<u>(72,974)</u>	<u>(182,386)</u>	<u>(109,412)</u>	<u>446,981</u>	<u>271,981</u>	<u>(175,000)</u>	<u>22,374</u>	<u>224,681</u>	<u>202,307</u>
(266,990)	(265,784)	1,206	7,672	(166,892)	(174,564)	(27,152)	248,317	275,469
399,164	423,672	24,508	74,987	249,148	174,161	1,098,883	1,015,603	(83,280)
-	92,302	92,302	-	-	-	-	94,674	94,674
<u>\$ 132,174</u>	<u>\$ 250,190</u>	<u>\$ 118,016</u>	<u>\$ 82,659</u>	<u>\$ 82,256</u>	<u>\$ (403)</u>	<u>\$ 1,071,731</u>	<u>\$ 1,358,594</u>	<u>\$ 286,863</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual (Budgetary Basis) –
All Proprietary Fund Types

December 31, 2003

	<u>PROPRIETARY FUNDS</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	Variance - <u>Over (Under)</u>
Operating Revenues			
Collections	\$ 1,404,044	\$ 1,534,914	\$ 130,870
Program revenues	705,429	532,518	(172,911)
Other revenues	621,500	3,121	(618,379)
Total Operating Revenues	<u>2,730,973</u>	<u>2,070,553</u>	<u>(660,420)</u>
Operating Expenditures			
Operations	2,574,893	1,859,579	(715,314)
General and administrative	157,262	105,551	(51,711)
Total Operating Expenditures	<u>2,732,155</u>	<u>1,965,130</u>	<u>(767,025)</u>
Operating Income Before Depreciation	(1,182)	105,423	106,605
Depreciation Expenses	-	60,710	60,710
Operating Income (Loss)	<u>(1,182)</u>	<u>166,133</u>	<u>167,315</u>
Nonoperating Revenues (Expense)			
Net earnings on investments	10,700	2,873	(7,827)
Miscellaneous revenues	10,800	13,556	2,756
Amortization expense	-	(42,966)	(42,966)
Total Nonoperating Revenues (Expense)	<u>21,500</u>	<u>(26,537)</u>	<u>(48,037)</u>
Income (Loss) Before Operating Transfers	<u>20,318</u>	<u>139,596</u>	<u>119,278</u>
Operating transfers in	150,000	150,000	-
Operating transfers out	<u>(150,000)</u>	<u>(105,300)</u>	<u>44,700</u>
Net Income (Loss)	20,318	184,296	163,978
Fund Balance - Beginning	-	4,558,283	4,558,283
Prior Period Adjustment	-	(172,491)	(172,491)
Fund Balance - Ending	<u>\$ 20,318</u>	<u>\$ 4,570,088</u>	<u>\$ 4,549,770</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combined Statement of Cash Flows – All Proprietary Fund Types

December 31, 2003

	Primary Government		
	Municipal		
	Enterprise	Authority	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,426,186	\$ 586,104	\$ 2,012,290
Cash paid to employees for services	-	(254,920)	(254,920)
Cash paid to suppliers for goods and services	(1,465,989)	(388,599)	(1,854,588)
Net cash (used in) operating activities	(39,803)	(57,415)	(97,218)
Cash flows from non-capital financing activities			
Interfund revenues	44,700	-	44,700
Net cash provided by non-capital financing activities	44,700	-	44,700
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	-	(46,382)	(46,382)
Acquisition of long-term debt	-	50,000	50,000
Principal paid on capital leases	-	(11,946)	(11,946)
Miscellaneous income	-	8,556	8,556
Net cash provided by capital and related financing activities	-	228	228
Cash flows from investing activities			
Interest and dividends on investments	2,083	790	2,873
Net cash provided by investing activities	2,083	790	2,873
Net increase (decrease) in cash and cash equivalents	6,980	(56,397)	(49,417)
Beginning cash and cash equivalents	20,183	110,522	130,705
Ending cash and cash equivalents	\$ 27,163	\$ 54,125	\$ 81,288
Reconciliation of Net Operating Income (Loss)			
to Net Cash (Used in) Operating Activities			
Net operating income (loss)	\$ 215,961	\$ (171,248)	\$ 44,713
Adjustments to reconcile net operating income (loss)			
to net cash (used in) operating activities:			
Depreciation and amortization	-	60,710	60,710
Changes in assets and liabilities			
(Increase) decrease in receivables	(108,883)	50,620	(58,263)
Increase (decrease) in accounts/taxes payable	(146,881)	2,503	(144,378)
Net adjustments	(255,764)	113,833	(141,931)
Cash (used in) operating activities	\$ (39,803)	\$ (57,415)	\$ (97,218)

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township considered for inclusion in its primary government financial statements all organizations for which the Township exercises oversight responsibility. Oversight responsibility embraces such factors as financial dependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the operations of the fire company, ambulance corps, library, sewer authority, and municipal authority were considered for inclusion in the reporting entity. The fire company, ambulance corps, and library did not meet the necessary criteria for inclusion and therefore, are not included in these primary government financial statements. The Sewer Authority (discreetly presented) and Municipal Authority (blended) did meet the necessary criteria and are therefore included. The separate financial statements for each authority may be obtained through Township Administration.

B. Basis of Presentation - 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. Government 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 of the Township are grouped as follows:

GOVERNMENTAL FUNDS

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

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

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

- Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources and the payment of interest and principal on all general obligation debt other than Enterprise Fund debt.
- Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital additions.

PROPRIETARY FUNDS

- Solid Waste Fund - To manage the solid waste billing and administration.

Component Units

The component units include the Municipal Authority (blended) and the Sewer Authority (discretely presented).

FIDUCIARY FUNDS

- Trust and Agency Funds - The Trust and Agency 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/or other funds. These include the Police Pension Plan, Non-uniformed Pension Plan, and the Escrow Fund.

ACCOUNT GROUPS

- General Fixed Assets Account Group - This group is established to account for fixed assets of the Township used in its general operations. Fixed assets utilized by nongovernmental fund types are accounted for in their respective funds.
- General Long-Term Debt Account Group - This group is established to account for unmatured bonds and notes which represent obligations incurred on behalf of the Township's Governmental Fund Types. This account group also accounts for long-term obligations in connection with capital leases and accumulated unpaid sick time. Long-term obligations expected to be financed from nongovernmental fund types are accounted for in their respective funds.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Component Units

The Sewer Authority has been discreetly presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. Separate financial statements were issued for the Sewer Authority and copies can be obtained through Township Administration.

The Municipal Authority has been blended, which entails reporting component unit financial data within the primary government financial data. Separate financial statements were issued for the Municipal Authority and copies can be obtained through Township Administration. When the statements were combined, the Township transactions were eliminated as follows:

	<u>Municipal Authority</u>	<u>Eliminations</u>	<u>Blended Component Unit</u>
Total Assets	\$ 4,212,643	\$ -	\$ 4,212,643
Total Liabilities	<u>10,516,898</u>	<u>(10,514,395)</u>	<u>2,503</u>
Total Net Assets	<u>\$ (6,304,255)</u>	<u>\$ 10,514,395</u>	<u>\$ 4,210,140</u>
Total Operating Revenues	\$ 535,484	\$ -	\$ 535,484
Total Operating Expenses	(649,271)	3,249	(646,022)
Total Depreciation Expense	(60,710)	-	(60,710)
Total Nonoperating Revenues (Expense)	<u>(419,995)</u>	<u>391,375</u>	<u>(28,620)</u>
Net Loss	<u>\$ (594,492)</u>	<u>\$ 394,624</u>	<u>\$ (199,868)</u>

The eliminations represent loans and interest accruals made between the Township and the Municipal Authority.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Total Columns of Combined Statements

Total columns on the combined statements are captioned "memorandum 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.

D. Basis of Accounting

The Township accounts for its Governmental Fund Types on a modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual; that is, when they are both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenues considered susceptible to accrual include property taxes, interest and rent, grants, and certain miscellaneous revenues.

Expenditures, which are also on the modified accrual basis, are recognized in the accounting period in which fund liabilities are incurred, if measurable, with the exception of expenditures for debt service, which are recognized when paid.

The Township's Proprietary Funds and Pension Trust Funds are accounted for on the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred. These funds follow accounting pronouncements issued by FASB (Financial Accounting Standards Board).

E. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

2. During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.
3. Prior to December 31, the Township holds a public hearing to obtain taxpayer comments, after which the budget is legally adopted through passage of an ordinance.
4. All budget revisions require the approval of the Township Board of Supervisors. There was one budget revision during 2003.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on the cash basis of accounting. All appropriations lapse at year end.

The major differences between the budgetary basis of accounting and GAAP are that:

Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual. Expenditures are recorded when paid as opposed to when the liability is incurred, except for interest on general long term obligations, which is recorded when due.

Adjustments necessary to convert the results of operations and fund balances at the end of the year from the GAAP basis of accounting to the budgetary basis of accounting are as follows:

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

GENERAL FUND

GAAP Basis	\$ (252,546)
Accrued revenues at December 31, 2002	(198,239)
Accrued revenues at December 31, 2003	67,228
Accrued liabilities at December 31, 2002	189,171
Accrued liabilities at December 31, 2003	<u>(193,856)</u>
Budgetary Basis	<u>\$ (388,242)</u>

SPECIAL REVENUE FUNDS

GAAP Basis	\$ (285,340)
Accrued revenues at December 31, 2002	(11,743)
Accrued revenues at December 31, 2003	9,866
Accrued liabilities at December 31, 2002	31,746
Accrued liabilities at December 31, 2003	<u>(10,313)</u>
Budgetary Basis	<u>\$ (265,784)</u>

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

CAPITAL PROJECTS FUNDS

GAAP Basis	\$ 229,993
Accrued revenues at December 31, 2003	8,275
Accrued liabilities at December 31, 2002	<u>10,049</u>
Budgetary Basis	<u>\$ 248,317</u>

DEBT SERVICE FUNDS

GAAP Basis	\$ (166,203)
Accrued revenues at December 31, 2002	3,620
Accrued revenues at December 31, 2003	<u>(4,309)</u>
Budgetary Basis	<u>\$ (166,892)</u>

F. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents - The Township considers highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

Taxes Receivable - Taxes receivable of the General Fund reflect amounts receivable for real estate taxes.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions - As a result of its operations, the Township affects a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2003, appropriate interfund receivables or payables have been established.

Fixed Assets - Fixed assets 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, as these are immovable and of value only to the Township.

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

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

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

Donated property is recorded at fair market value on the date of donation.

Deferred Revenues - Deferred revenues represent amounts which have met asset recognition criteria, but for which revenue recognition criteria have not been met, principally property taxes and grants.

Deferred Charges - Deferred charges (Municipal Authority) consist of bond issue costs, which are amortized over the life of the bonds. The accumulated amortization was \$247,050 as of December 31, 2003.

Allowance for Doubtful Accounts - An allowance has been established in the Solid Waste Fund for anticipated uncollectible accounts receivable and in the General Fund for anticipated uncollectible developers fees. The allowance was \$6,338 and \$23,429 at December 31, 2003, respectively.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 1. Summary of Significant Accounting Policies (Continued)

G. Revenues, Expenditures, and Expenses

Fund Balance - Reserved fund balances indicate portions of fund equity, which have been segregated for specific purposes at December 31, 2003.

Fund balances have been reserved as follows:

Special Revenue Funds:

Police motorcycles	\$ 284
Highways and streets	66,957
Planting trees	<u>61,842</u>
Total Reserved	\$ <u>129,083</u>

Capital Projects Funds:

Highway improvements	\$ 604,516
Public works	115,313
Park & recreation	<u>71,023</u>
Total Reserved	\$ <u>790,852</u>

Property Tax Revenues - General Fund property taxes collected within 15 days subsequent to December 31 are recognized as revenue.

Real Estate Property Tax - Real estate property taxes attach as an enforceable lien on property on January 1. 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 ending 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.

Transfers - Operating transfers between governmental and nongovernmental fund types are reported as other financing sources (uses) within those funds.

Compensated Absences - Unused sick benefits, and certain vacation and personal time benefits, are able to be carried over at year-end for employees, and accordingly are provided for in these financial statements as a component of Long-Term Debt. As of December 31, 2003, the Township has a long-term liability of \$174,594 in compensated absences.

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.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 2. Cash and Investments

Cash

The Township's bank deposits at year-end were covered by federal depository insurance or by collateral held by the Township's custodial bank in the Township's name.

Investments

Investments are reported on the financial statements at the lower of cost or market.

State law allows the Township to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Township to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The Township may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The Township's investments are categorized below to give an indication of the level of such risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

If the investment is an investment pool, then no category is indicated. Investment pools are fully collateralized in the Township's name. The Township invests in the Pennsylvania Local Government Investment Trust.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 2. Cash and Investments (Continued)

Following are the components of the Township's cash and investments at December 31, 2003:

<u>Cash and Investments</u>	Primary Government <u>Bank Balance</u>	<u>Category</u>
Insured by FDIC	\$ 153,404	1
Cash Balances	293,014	3
CD's	2,273,544	2
Treasury Bills	1,064,146	2
PLGIT	641,673	--
	<u>4,425,781</u>	
Plus: Reconciling Items	(33,761)	
Book Balance	<u>\$ 4,392,020</u>	

Pension funds are categorized as follows:

	<u>Cost</u>	<u>Market</u>
Non-Uniform Pension:		
Cash	\$ 53,935	\$ 53,935
Mortgages	488,377	493,317
Government Bonds	401,698	401,979
Common Stocks	547,357	651,230
Total	<u>\$ 1,491,367</u>	<u>\$ 1,600,461</u>
Police Pension:		
Cash	238,797	\$ 238,797
Mortgages	2,390,503	2,413,944
Government Bonds	1,628,265	1,629,586
Common Stocks	2,692,557	3,221,995
Total	<u>\$ 6,950,122</u>	<u>\$ 7,504,322</u>

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 3. Escrow Cash Deposits and Investments

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. Any unused deposits are returned to the developer upon completion of the project. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2003, \$241,802 represents the balance of these monies held in escrow.

NOTE 4. Fixed Assets

General Fixed Assets

In 2003, the Township had an asset valuation performed. The assets have been valued at historical cost or estimated historical cost. The Township does not include infrastructure such as roads and bridges in the value of fixed assets.

The following is a summary of the changes in the General Fixed Asset Account Group. The Township does not depreciate these fixed assets.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 7,143,417	\$ 336,680	\$ -	\$ 7,480,097
Land improvements	431,200	-	-	431,200
Buildings	3,952,184	52,500	-	4,004,684
Machinery and equipment	<u>1,612,612</u>	<u>370,801</u>	<u>(79,936)</u>	<u>1,903,477</u>
Totals	<u>\$ 13,139,413</u>	<u>\$ 759,981</u>	<u>\$ (79,936)</u>	<u>\$ 13,819,458</u>

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 4. Fixed Assets (Continued)

Proprietary Fixed Assets

The following is a summary of changes to Proprietary Fund (Municipal Authority) fixed assets:

	January 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2003</u>
<u>Capital Assets</u>				
Land	\$ 3,185,540	\$ -	\$ -	\$ 3,185,540
Land Improvements	952,300	-	-	952,300
Building	54,100	-	-	54,100
Machinery and Equipment	<u>134,100</u>	<u>51,382</u>	<u>-</u>	<u>185,482</u>
Total Capital Assets	<u>4,326,040</u>	<u>51,382</u>	<u>-</u>	<u>4,377,422</u>
<u>Accumulated Depreciation</u>				
Land Improvements	618,995	47,615	-	666,610
Building	49,200	700	-	49,900
Machinery and Equipment	<u>26,820</u>	<u>12,395</u>	<u>-</u>	<u>39,215</u>
Total Accumulated Depreciation	<u>695,015</u>	<u>60,710</u>	<u>-</u>	<u>755,725</u>
<u>Net Book Value</u>				
Land	3,185,540	-	-	3,185,540
Land Improvements	333,305	(47,615)	-	285,690
Building	4,900	(700)	-	4,200
Machinery and Equipment	<u>107,280</u>	<u>38,987</u>	<u>-</u>	<u>146,267</u>
Total Net Book Value	<u>\$ 3,631,025</u>	<u>\$ (9,328)</u>	<u>\$ -</u>	<u>\$ 3,621,697</u>

NOTE 5. Employee Retirement Plans

The Township sponsors two single-employer defined benefit pension plans, the Police Pension Plan and the Non-Uniform Pension Plan. All full time police and non-uniform employees (who have completed at least 1,000 or more hours of service) participate in the plans. Following are details of these two plans. The most recent valuation was as of January 1, 2003. Details below are from the valuation.

Plan Description

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

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 5. Employee Retirement Plans (Continued)

Plan Description (Continued)

At January 1, 2003, Lower Providence Township Pension Plan consisted of the following:

	<u>Non-Uniform</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits not yet receiving them	20	16
Active employees	<u>25</u>	<u>27</u>
	<u>45</u>	<u>43</u>

Description of Non-Uniform Pension Plan

The Pension Plan provides retirement benefits as well as death and disability benefits. All benefits vest at 100% after 14 years of credited service. Employees who retire at or after age 60, and completion of 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 25% of the social security benefit. Final average salary is the employee's average monthly earnings, 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.

Covered employees are not required to contribute to the Pension Fund. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The Township does not issue a stand-alone financial report.

Description of the Police Pension Plan

The Pension Fund 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 plus a service increment equal to \$100 per month per year of service in excess of 25 years of service. Final-average salary is the employee's average salary over the last three years of credited service. An option for early retirement is available for employees after completion of 20 years of service.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 5. Employee Retirement Plans (Continued)

Description of the Police Pension Plan

Covered employees are not required to contribute to the Pension Fund. 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 Township does not issue a stand-alone financial report.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions Required and Contributions Made

The Pension Plan 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. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 5. Employee Retirement Plans (continued)

	<u>Non-Uniform</u>	<u>Police</u>
Annual required contribution	\$ 123,481	\$ 170,502
Interest on net pension obligation	(1,797)	-
Adjustments to annual required contribution	<u>2,725</u>	<u>-</u>
Annual pension cost	124,409	170,502
Contributions made	<u>(123,481)</u>	<u>(170,502)</u>
Increase (decrease) in net pension obligation	928	-
Net pension obligation (asset) at beginning of year	<u>(22,457)</u>	<u>-</u>
Net pension obligation (asset) at end of year	<u>\$ (21,529)</u>	<u>\$ -</u>

The annual required contribution for the current year was determined as part of the January 1, 2003 actuarial valuation using the following assumptions:

	<u>Non-Uniform</u>	<u>Police</u>
Date of actuarial valuation	1/1/2003	1/1/2003
Investment rate of return	8%	8%
Projected salary increases due to inflation	5%	5%
Cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Amortization period	14	13
Cost of living increases	3%	3%

Three Year Trend Information

POLICE

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2001	\$ 155,887	100.0%	\$ -
12/31/2002	159,667	100.0%	-
12/31/2003	170,502	100.0%	-

NON-UNIFORM

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2001	\$ 146,857	99.3%	\$ (23,426)
12/31/2002	148,020	99.3%	(22,457)
12/31/2003	124,409	99.3%	(21,529)

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 6. Related-Party Transactions

The Township entered into a note payable through the issuance of General Obligation Bonds with the Municipal Authority (component unit) to finance capital improvements to the General Washington Recreation Center. The Municipal Authority has signed several promissory notes payable to the Township due to the Municipal 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 was scheduled to mature January 2003. An interest rate of 3.65% per annum is payable at maturity. A schedule of these notes is summarized below. These inter-municipal transactions have been eliminated from the combined balance sheets of these financial statements.

<u>Date of Loan</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>January 1, 2003</u>	<u>Additions (Repayment)</u>	<u>December 31, 2003</u>
<u>Bond and Note Issues</u>						
1994	\$ 5,235,000	3.60 - 6.00%	2004	\$ 220,000	\$ (105,000)	\$ 115,000
1995	1,290,000	3.65 - 5.57%	2022	1,120,000	(35,000)	1,085,000
1998	4,815,000	3.40 - 4.55%	2024	4,720,000	(35,000)	4,685,000
			subtotal	6,060,000	(175,000)	5,885,000
<u>Demand Notes Issued</u>						
1995	7,000	3.65%	2002	7,000	-	7,000
1996	295,000	3.65%	2003	295,000	(295,000)	-
1997	416,106	3.65%	2004	416,106	-	416,106
1998	439,325	3.65%	2005	439,325	-	439,325
1999	700,459	3.65%	2006	700,459	-	700,459
2000	687,023	3.65%	2007	687,023	-	687,023
2001	558,088	3.65%	2008	558,087	-	558,087
2002	464,586	3.65%	2009	464,586	-	464,586
2003	867,354	3.65%	2010	-	867,354	867,354
			subtotal	3,567,586	572,354	4,139,940
Totals				\$ 9,627,586	\$ 397,354	\$ 10,024,940

The Sewer Authority has a month-to-month written lease with the Township for office space at \$300 per month. Annual rent expense is \$3,600.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 7. Long-Term Obligations

The following schedule details the Township's debt obligations which consist of general obligation bonds and notes payable. The proceeds of these debt obligations were used for the improvement of Township roads, infrastructure, and the sewer system. The Township has also loaned a portion of these proceeds to the Municipal Authority (as listed in Note 4).

<u>Year of Issue</u>	<u>Average Original Issue</u>	<u>Interest Rate</u>	<u>Outstanding Final Maturities</u>	<u>January 1, 2003</u>	<u>Outstanding Additions (Retirements)</u>	<u>December 31, 2003</u>
Primary Government						
1994 Bonds	\$ 5,235,000	4.3% to 5.25%	2004	\$ 220,000	\$ (105,000)	\$ 115,000
1995 Bonds	4,495,000	3.65% to 5.25%	2022	3,515,000	(180,000)	3,335,000
1997 Note	321,841	0.00%	2006	128,737	(32,184)	96,553
1998 Bonds	4,815,000	3.4% to 4.55%	2024	4,720,000	(35,000)	4,685,000
			Total Primary Government	<u>\$ 8,583,737</u>	<u>\$ (352,184)</u>	<u>\$ 8,231,553</u>

The future annual payments required to retire general long-term debt as of December 31, 2003 are as follows:

<u>Year</u>	<u>Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 367,184	\$ 375,307
2005	377,184	359,062
2006	397,184	343,637
2007	380,000	327,080
2008	395,000	309,660
Thereafter	<u>6,315,001</u>	<u>2,540,054</u>
	<u>\$ 8,231,553</u>	<u>\$ 4,254,800</u>

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 8. Capital Lease Obligation

The Township has entered into a capital lease obligation for the acquisition of equipment. The economic substance of the lease is that the Township is financing the acquisition of the equipment through the lease, and accordingly, the equipment is recorded in the Township's assets at a cost of \$11,974. The Township does not depreciate this equipment.

The following is a schedule by years of future minimum lease payments required under the capital leases:

	<u>Equipment</u>
2004	\$ 2,913
2005	2,913
2006	2,913
2007	<u>971</u>
Total minimum lease payments	9,710
Less: interest	<u>(1,211)</u>
Present value of minimum lease payments	8,499
Less: current maturities	<u>2,317</u>
Total	<u>\$ 6,182</u>

NOTE 9. Interfund Receivables and Payables

Interfund receivables and payables balances as of December 31, 2003 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 61,552	\$ -
Debt Service Fund	-	20,000
Park and Recreation Fund	-	5,472
Highway Aid Fund	-	316
Escrow Fund	-	<u>35,764</u>
	<u>\$ 61,552</u>	<u>\$ 61,552</u>

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 10. Taxes

The line item taxes consist of the following:

Real estate taxes	\$ 1,567,656
Real estate transfer taxes	636,813
Per capita taxes	66,301
Earned income taxes	3,280,839
Occupational privilege taxes	42,856
Other	<u>5,963</u>
Total Taxes	<u>\$ 5,600,428</u>

NOTE 11. Commitments and Contingencies

In the normal course of business, there are various claims and suits pending against the Township. In the opinion of Township management, the amount of losses that might result from these claims and suits, if any, would not materially effect the financial position of the Township.

The use of grant monies is subject to compliance audits by governmental agencies. The Township believes they are in compliance with substantially all the significant requirements of such grants.

The Township has entered an agreement with the Montgomery County Sewer Authority for treatment of sewage collected by the Sewer Authority, whereby the Sewer Authority pays a fee to the Montgomery County Sewer Authority each calendar quarter based on the flows through the system.

NOTE 12. Working Capital of Proprietary Funds

	<u>Solid Waste</u>	<u>Municipal Authority</u>	<u>Total</u>
Current Assets	\$ 241,647	\$ 54,125	\$ 295,772
Less: Current Liabilities	<u>(3,119)</u>	<u>(153)</u>	<u>(3,272)</u>
Net Working Capital	<u>\$ 238,528</u>	<u>\$ 53,972</u>	<u>\$ 292,500</u>

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 13. Commitments

The Township entered into an agreement with the Municipal Authority in December of 2003 for the provision of a \$500,000 draw down promissory note. As of December 31, 2003, no amounts were used by the Municipal Authority.

NOTE 14. Pending GASB Statements

As of December 31, 2003, GASB has issued several statements not yet implemented by Lower Providence Township. The statement which might impact the Township is as follows:

No. 34, "Basic Financial Statement and Management Discussion and Analysis for State and Local Governments", imposes new standards for financial reporting. Management of Lower Providence has not yet completed their assessment of this statement, however, it will have a material effect on the overall financial statement presentation of Lower Providence Township.

The new financial statement guidelines embodied in Statement 34 are the culmination of many years of study and deliberation by the GASB. The requirements of Statement 34 are effective based on the Township's total annual revenues. Governments with total annual revenues below \$10 million will apply the Statement beginning with fiscal years ending after June 15, 2004. Earlier implementation is allowed.

TOWNSHIP OF LOWER PROVIDENCE

Notes to Financial Statements

December 31, 2003

NOTE 15. Prior Period Adjustment

Prior period adjustments were made for the following reasons:

- General Fund, \$25,000 was made to record a note receivable from a prior period.
- Highway Aid Fund, \$92,302 was made to remove an expense posted to accounts payable twice in a prior period.
- Public Works Capital Reserve Fund, \$94,674 was made to record beginning fund balance that was excluded from the 2002 financial statements.
- Solid Waste Fund, \$105,601 was made to record beginning accounts receivable balances.
- Municipal Authority, \$278,092 was made:
 - To correct long term debt and accrued interest payable recorded incorrectly in a prior period.
 - To remove expenses posted in 2002 that did not belong to the Authority. The reimbursement for these expenses was received in 2003 and thus removed from the books.
 - To correct beginning fixed asset and accumulated depreciation balances.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF LOWER PROVIDENCE

Required Supplemental Information - Police Pension Plan

December 31, 2003

SCHEDULE 1

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Percentage Funded</u>	<u>Accrued Unfunded Actuarial Liability</u>	<u>Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/1995	\$ 3,545,574	\$ 3,108,446	114.1%	\$ (437,128)	\$ 1,086,284	-40.2%
1/1/1997	4,314,708	4,107,390	105.0%	(207,318)	1,249,655	-16.6%
1/1/1998	4,659,184					
1/1/1999	5,035,497	4,817,115	104.5%	(218,382)	1,341,036	-16.3%
1/1/2000	5,278,333					
1/1/2001	5,978,999	5,848,499	102.2%	(130,500)	1,407,193	-9.3%
1/1/2002	7,183,120					
1/1/2003	6,506,788	6,782,100	95.9%	275,312	1,527,208	18.0%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions From Employer</u>	<u>Percentage Contributed</u>
1998	\$ 85,401	\$ 85,401	100.0%
1999	113,532	113,532	100.0%
2000	99,343	99,343	126.9%
2001	155,887	155,887	100.0%
2002	159,667	159,667	100.0%
2003	170,502	170,502	100.0%

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Required Supplemental Information – Non-Uniform Pension Plan

December 31, 2003

SCHEDULE 2

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Percentage Funded</u>	<u>Accrued Unfunded Actuarial Liability</u>	<u>Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/1995	\$ 481,306	\$ 599,411	80.3%	\$ 118,105	\$ 726,902	16.2%
1/1/1997	693,477	758,055	91.5%	64,578	838,003	7.7%
1/1/1999	896,419	1,216,989	73.7%	320,570	843,829	38.0%
1/1/2000	985,257					
1/1/2001	1,118,486	1,375,310	81.3%	256,824	1,050,120	24.5%
1/1/2002	1,324,365					
1/1/2003	1,289,624	1,590,732	81.1%	301,108	826,386	36.4%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions From Employer</u>	<u>Percentage Contributed</u>
1998	\$ 82,321	\$ 82,321	100.0%
1999	89,895	89,895	100.0%
2000	90,802	115,239	126.9%
2001	145,846	145,846	100.0%
2002	147,051	147,051	100.0%
2003	123,481	123,481	100.0%

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Balance Sheet – All Special Revenue Funds

December 31, 2003

SCHEDULE 3

	<u>Library</u>	<u>Police Motorcycle</u>	<u>Park & Rec Operating</u>	<u>Highway Aid</u>	<u>Tree Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Current Assets						
Cash	\$ 3	\$ 284	\$ 100,206	\$ 104,031	\$ 61,842	\$ 266,366
Receivables						
Taxes	<u>4,803</u>	<u>-</u>	<u>6,941</u>	<u>-</u>	<u>-</u>	<u>11,744</u>
Total Current Assets	<u>4,806</u>	<u>284</u>	<u>107,147</u>	<u>104,031</u>	<u>61,842</u>	<u>278,110</u>
 TOTAL ASSETS	 <u>\$ 4,806</u>	 <u>\$ 284</u>	 <u>\$ 107,147</u>	 <u>\$ 104,031</u>	 <u>\$ 61,842</u>	 <u>\$ 278,110</u>
 <u>LIABILITIES AND FUND EQUITY</u>						
Current Liabilities						
Accounts payable and accrued wages	\$ -	\$ -	\$ 4,930	\$ 36,758	\$ -	\$ 41,688
Due to other funds	<u>-</u>	<u>-</u>	<u>5,472</u>	<u>316</u>	<u>-</u>	<u>5,788</u>
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>10,402</u>	<u>37,074</u>	<u>-</u>	<u>47,476</u>
Fund Equity (Deficiency)						
Reserved	-	284	-	66,957	61,842	129,083
Unreserved and undesignated	<u>4,806</u>	<u>-</u>	<u>96,745</u>	<u>-</u>	<u>-</u>	<u>101,551</u>
Total Fund Equity	<u>4,806</u>	<u>284</u>	<u>96,745</u>	<u>66,957</u>	<u>61,842</u>	<u>230,634</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 4,806</u>	 <u>\$ 284</u>	 <u>\$ 107,147</u>	 <u>\$ 104,031</u>	 <u>\$ 61,842</u>	 <u>\$ 278,110</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – All Special Revenue Funds

December 31, 2003

SCHEDULE 4

	<u>Library</u>	<u>Police Motorcycle</u>	<u>Park & Rec Operating</u>	<u>Highway Aid</u>	<u>Tree Fund</u>	<u>Total</u>
Revenues						
Taxes	\$ 209,794	\$ -	\$ 303,191	\$ -	\$ -	\$ 512,985
Interest	138	16	3,660	2,656	488	6,958
Intergovernmental revenues	-	-	-	382,240	-	382,240
Program revenues	-	-	218,159	-	-	218,159
Other	-	-	25,546	180	40,000	65,726
Total Revenues	<u>209,932</u>	<u>16</u>	<u>550,556</u>	<u>385,076</u>	<u>40,488</u>	<u>1,186,068</u>
Expenditures						
Current						
General government	-	-	-	1,250	-	1,250
Public safety	-	2,556	-	-	-	2,556
Highways and roads	-	-	-	380,189	-	380,189
Culture and recreation	269,150	-	555,128	-	-	824,278
Miscellaneous	7	-	67,689	-	-	67,696
Capital projects	-	-	13,053	-	-	13,053
Total Expenditures	<u>269,157</u>	<u>2,556</u>	<u>635,870</u>	<u>381,439</u>	<u>-</u>	<u>1,289,022</u>
Excess Revenues (Expenditures)	(59,225)	(2,540)	(85,314)	3,637	40,488	(102,954)
Other Financing Sources (Uses)						
Intefund transfer in	60,000	-	-	-	-	60,000
Interfund transfer out	-	-	(242,386)	-	-	(242,386)
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>-</u>	<u>(242,386)</u>	<u>-</u>	<u>-</u>	<u>(182,386)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	775	(2,540)	(327,700)	3,637	40,488	(285,340)
Fund Balance - Beginning	4,031	2,824	424,445	(28,982)	21,354	423,672
Prior Period Adjustment	-	-	-	92,302	-	92,302
Fund Balance - Ending	<u>\$ 4,806</u>	<u>\$ 284</u>	<u>\$ 96,745</u>	<u>\$ 66,957</u>	<u>\$ 61,842</u>	<u>\$ 230,634</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Balance Sheet – All Capital Project Funds

December 31, 2003

SCHEDULE 5

	Highway Improvement Capital Reserve	Public Works Capital Reserve	Park & Recreation Capital Reserve	Unrestricted Capital	Total
<u>ASSETS</u>					
Current Assets					
Cash	\$ 627,243	\$ 115,313	\$ 78,129	\$ 549,605	\$ 1,370,290
Total Current Assets	627,243	115,313	78,129	549,605	1,370,290
TOTAL ASSETS	\$ 627,243	\$ 115,313	\$ 78,129	\$ 549,605	\$ 1,370,290
<u>LIABILITIES AND FUND EQUITY</u>					
Current Liabilities					
Accounts payable and accrued wages	\$ 22,727	\$ -	\$ 7,106	\$ 187	\$ 30,020
Total Current Liabilities	22,727	-	7,106	187	30,020
Total Liabilities	22,727	-	7,106	187	30,020
Fund Equity (Deficiency)					
Reserved fund balance	604,516	115,313	71,023	-	790,852
Unreserved and undesignated	-	-	-	549,418	549,418
Total Fund Equity	604,516	115,313	71,023	549,418	1,340,270
TOTAL LIABILITIES AND FUND EQUITY	\$ 627,243	\$ 115,313	\$ 78,129	\$ 549,605	\$ 1,370,290

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – All Capital Project Funds

December 31, 2003

SCHEDULE 6

	<u>Highway Improvement Capital Reserve</u>	<u>Public Works Capital Reserve</u>	<u>Park & Recreation Capital Reserve</u>	<u>Unrestricted Capital</u>	<u>Total</u>
Revenues					
Interest and rent	\$ 5,808	\$ 1,199	\$ 4,658	\$ 5,231	\$ 16,896
Other	<u>158,336</u>	<u>19,440</u>	<u>264,731</u>	<u>358,000</u>	<u>800,507</u>
Total Revenues	<u>164,144</u>	<u>20,639</u>	<u>269,389</u>	<u>363,231</u>	<u>817,403</u>
Expenditures					
Capital projects	<u>56,551</u>	<u>-</u>	<u>696,755</u>	<u>58,785</u>	<u>812,091</u>
Total Expenditures	<u>56,551</u>	<u>-</u>	<u>696,755</u>	<u>58,785</u>	<u>812,091</u>
Excess Revenues (Expenditures)	<u>107,593</u>	<u>20,639</u>	<u>(427,366)</u>	<u>304,446</u>	<u>5,312</u>
Other Financing Sources (Uses)					
Intefund transfer out	-	-	-	(17,705)	(17,705)
Interfund transfer in	<u>-</u>	<u>-</u>	<u>242,386</u>	<u>-</u>	<u>242,386</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>242,386</u>	<u>(17,705)</u>	<u>224,681</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	107,593	20,639	(184,980)	286,741	229,993
Fund Balance - Beginning	496,923	-	256,003	262,677	1,015,603
Prior Period Adjustment	<u>-</u>	<u>94,674</u>	<u>-</u>	<u>-</u>	<u>94,674</u>
Fund Balance - Ending	<u>\$ 604,516</u>	<u>\$ 115,313</u>	<u>\$ 71,023</u>	<u>\$ 549,418</u>	<u>\$ 1,340,270</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Balance Sheet – All Proprietary Funds

December 31, 2003

SCHEDULE 7

	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>Solid Waste</u>	<u>Municipal Authority</u>	
<u>ASSETS</u>			
Current Assets			
Cash	\$ 27,163	\$ 54,125	\$ 81,288
Receivables			
Accounts	214,484	-	214,484
Total Current Assets	<u>241,647</u>	<u>54,125</u>	<u>295,772</u>
Fixed Assets (net of accumulated depreciation)	-	3,621,697	3,621,697
Financing Costs (net of accumulated amortization)	-	536,821	536,821
TOTAL ASSETS	<u>\$ 241,647</u>	<u>\$ 4,212,643</u>	<u>\$ 4,454,290</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current Liabilities			
Accounts payable and accrued wages	\$ 3,119	\$ 153	\$ 3,272
Total Current Liabilities	<u>3,119</u>	<u>153</u>	<u>3,272</u>
Restricted Liabilities			
Deposits	-	2,350	2,350
Total Restricted Liabilities	<u>-</u>	<u>2,350</u>	<u>2,350</u>
Fund Equity (Deficiency)			
Retained earnings	238,528	4,210,140	4,448,668
Total Fund Equity	<u>238,528</u>	<u>4,210,140</u>	<u>4,448,668</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 241,647</u>	<u>\$ 4,212,643</u>	<u>\$ 4,454,290</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Statement of Revenues, Expenditures and Changes in
Retained Earnings – All Proprietary Funds

December 31, 2003

SCHEDULE 8

	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>Solid Waste</u>	<u>Municipal Authority</u>	
Operating Revenues			
Collections	\$ 1,534,914	\$ -	\$ 1,534,914
Program revenues	-	532,518	532,518
Other revenues	155	2,966	3,121
Total Operating Revenues	<u>1,535,069</u>	<u>535,484</u>	<u>2,070,553</u>
Operating Expenditures			
Operations	1,314,640	544,939	1,859,579
General and administrative	4,468	101,083	105,551
Total Operating Expenditures	<u>1,319,108</u>	<u>646,022</u>	<u>1,965,130</u>
Operating Income (Loss) Before Depreciation	215,961	(110,538)	105,423
Depreciation Expenses	-	60,710	60,710
Operating Income (Loss)	<u>215,961</u>	<u>(171,248)</u>	<u>44,713</u>
Nonoperating Revenues (Expense)			
Net earnings on investments	2,083	790	2,873
Miscellaneous revenues	-	13,556	13,556
Amortization expense	-	(42,966)	(42,966)
Total Nonoperating Revenues (Expense)	<u>2,083</u>	<u>(28,620)</u>	<u>(26,537)</u>
Income (Loss) Before Operating Transfers	<u>218,044</u>	<u>(199,868)</u>	<u>18,176</u>
Operating transfers in	150,000	-	150,000
Operating transfers out	<u>(105,300)</u>	<u>-</u>	<u>(105,300)</u>
Net Income (Loss)	262,744	(199,868)	62,876
Retained Earnings - Beginning	(129,817)	4,688,100	4,558,283
Prior Period Adjustment	<u>105,601</u>	<u>(278,092)</u>	<u>(172,491)</u>
Retained Earnings - Ending	<u>\$ 238,528</u>	<u>\$ 4,210,140</u>	<u>\$ 4,448,668</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Balance Sheet – All Trust and Agency Funds

December 31, 2003

SCHEDULE 9

	Police Pension	Municipal Pension	Escrow Funds	Total
<u>ASSETS</u>				
Restricted Assets				
Cash	\$ 238,797	\$ 53,935	\$ 241,802	\$ 534,534
Investments, at fair value				
Mortgages	2,413,944	493,317	-	2,907,261
Government bonds	1,629,586	401,979	-	2,031,565
Common stock	3,221,995	651,230	-	3,873,225
Accrued interest	25,120	5,157	-	30,277
Prepaid benefits	20,596	3,096	-	23,692
Due from developers	-	-	33,797	33,797
Total Restricted Assets	7,550,038	1,608,714	275,599	9,434,351
 TOTAL ASSETS	\$ 7,550,038	\$ 1,608,714	\$ 275,599	\$ 9,434,351
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Due to other funds	-	-	35,764	35,764
Developer escrows	-	-	239,835	239,835
Total Liabilities	-	-	275,599	275,599
 Net Assets Held in Trust for				
Pension Benefits	7,550,038	1,608,714	-	9,158,752
Total Net Assets	7,550,038	1,608,714	-	9,158,752
 TOTAL LIABILITIES AND NET ASSETS	\$ 7,550,038	\$ 1,608,714	\$ 275,599	\$ 9,434,351

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – All Trust and Agency Funds

December 31, 2003

SCHEDULE 10

	<u>Police Pension</u>	<u>Municipal Pension</u>	<u>Total</u>
Additions			
Contributions			
State contributions	\$ 132,615	\$ 96,043	\$ 228,658
Employer contributions	<u>37,887</u>	<u>27,438</u>	<u>65,325</u>
Total Contributions	<u>170,502</u>	<u>123,481</u>	<u>293,983</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,001,512	208,606	1,210,118
Dividends	47,129	9,606	56,735
Interest	<u>138,055</u>	<u>25,323</u>	<u>163,378</u>
	1,186,696	243,535	1,430,231
Less: investment expense	<u>(66,736)</u>	<u>(13,870)</u>	<u>(80,606)</u>
Net Investment Income	<u>1,119,960</u>	<u>229,665</u>	<u>1,349,625</u>
Total Additions	<u>1,290,462</u>	<u>353,146</u>	<u>1,643,608</u>
Deductions			
Insurance	6,720	-	6,720
Benefits	<u>238,803</u>	<u>51,363</u>	<u>290,166</u>
Total Deductions	<u>245,523</u>	<u>51,363</u>	<u>296,886</u>
Net Increase	1,044,939	301,783	1,346,722
Net Assets Held in Trust for Pension Benefits:			
Beginning of Year	<u>6,505,099</u>	<u>1,306,931</u>	<u>7,812,030</u>
End of Year	<u>\$ 7,550,038</u>	<u>\$ 1,608,714</u>	<u>\$ 9,158,752</u>

See accompanying notes to financial statements

TOWNSHIP OF LOWER PROVIDENCE

Combining Balance Sheet – All Trust and Agency Funds

December 31, 2003

SCHEDULE 9

	Police Pension	Municipal Pension	Escrow Funds	Total
<u>ASSETS</u>				
Restricted Assets				
Cash	\$ 238,797	\$ 53,935	\$ 241,802	\$ 534,534
Investments, at fair value				
Mortgages	2,413,944	493,317	-	2,907,261
Government bonds	1,629,586	401,979	-	2,031,565
Common stock	3,221,995	651,230	-	3,873,225
Accrued interest	25,120	5,157	-	30,277
Prepaid benefits	20,596	3,096	-	23,692
Due from developers	-	-	33,797	33,797
Total Restricted Assets	7,550,038	1,608,714	275,599	9,434,351
 TOTAL ASSETS	\$ 7,550,038	\$ 1,608,714	\$ 275,599	\$ 9,434,351
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Due to other funds	-	-	35,764	35,764
Developer escrows	-	-	239,835	239,835
Total Liabilities	-	-	275,599	275,599
 Net Assets Held in Trust for				
Pension Benefits	7,550,038	1,608,714	-	9,158,752
Total Net Assets	7,550,038	1,608,714	-	9,158,752
 TOTAL LIABILITIES AND NET ASSETS	\$ 7,550,038	\$ 1,608,714	\$ 275,599	\$ 9,434,351

See accompanying notes to financial statements



