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**TREDYFFRIN TOWNSHIP**  
***CHESTER COUNTY, PENNSYLVANIA***

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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TREDYFFRIN TOWNSHIP  
BERWYN, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	19
Budgetary Comparison Statement - General Fund	20
Statements of Net Position - Proprietary Fund	21
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	22
Statements of Cash Flows - Proprietary Fund	23
Statement of Net Position - Fiduciary Funds	24
Statement of Changes in Net Position - Fiduciary Funds	25
Notes to Financial Statements	26

TREDYFFRIN TOWNSHIP  
BERWYN, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Township's Net Pension Liability (Asset), Investment Returns, and Related Ratios - Police Pension Plan	60
Schedule of Changes in the Township's Net Pension Liability (Asset), Investment Returns, and Related Ratios - Non-Uniformed Pension Plan	61
Schedule of Township Pension Contributions	62
Schedule of Changes in the Township's Net OPEB Liability, Investment Returns, and Related Ratios	63
Schedule of Township OPEB Contributions	64
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	66
OTHER REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67



## INDEPENDENT AUDITOR'S REPORT

July 12, 2023

Board of Supervisors  
Tredyffrin Township  
Berwyn, Pennsylvania

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin Township (the Township), Berwyn, Pennsylvania, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin Township, Berwyn, Pennsylvania, as of December 31, 2022, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

The Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for one year after the date that the financial statements are issued or, when applicable, one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Board of Supervisors  
Tredyffrin Township

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

We have previously audited the Township's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated September 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the schedule of changes in the Township's net pension liability (asset), investment returns, and related ratios - police pension plan; schedule of changes in the Township's net pension liability (asset), investment returns, and related ratios - non-uniformed pension plan; schedule of Township pension contributions; schedule of changes in the Township's net OPEB liability, investment returns, and related ratios; and schedule of Township OPEB contributions on pages 60 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

Board of Supervisors  
Tredyffrin Township

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**DECEMBER 31, 2022**

This discussion and analysis of Tredyffrin Township (the Township), Berwyn, Pennsylvania, provides an overview of the Township's financial performance for the year ended December 31, 2022. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

**FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$240,634 in 2022. Increased investment returns due to increasing interest rates helped offset decreases in other general revenues.
- At the close of the current fiscal year, the Township recognized a net OPEB liability of \$22,138,540.
- At the close of the current fiscal year, the Township's net pension liability was \$10,674,620.
- The Township was received the second tranche of its American Rescue Plan Act (ARPA) funding, and recognized \$197,769 of revenue and has deferred \$2,038,952.
- The Township purchased property located at 1485 Valley Forge Road for \$1.8M to be used as a Fire and EMS substation.
- As of December 31, 2022, the Township's governmental funds reported a combined ending fund balance of \$24,731,069, a decrease of \$888,553 from the prior year's balance. Approximately 69% of the total fund balance, or \$17,030,169, is available for spending at the Township's discretion (unassigned fund balance).
- As of December 31, 2022, the Township's business-type activities report a net position of \$40,892,056, a decrease of \$112,730 from the prior year's balance. Approximately 74% of the total net position, or \$30,396,378, is available for spending at the Township's discretion (unrestricted net position).
- Revenues in the Township's General Fund decreased from \$26,139,333 in 2021 to \$24,390,249 in 2022. This represents a 7.2% decrease.
- The Board of Supervisors committed \$3,150,000 to fund part of the construction of a Fire/EMS Station located at 23 Bridge Avenue in Berwyn.
- The Township did not increase the millage rate in 2022.



**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The entity-wide statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements follow and explain how services were financed in the short term as well as what remains for future spending. Fund financial statements report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. Notes to the financial statements provide additional disclosures that will assist the reader in understanding the Township's financial condition. The report also includes supplementary information such as pension and OPEB plan funding and combining fund statements.

**Reporting the Township as a Whole**

**Statement of Net Position and the Statement of Activities**

The analysis of the Township as a whole begins with the statement of net position and the statement of activities.

These statements provide information that will help the reader to determine if the Township is better or worse off financially as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and change during the year. The reader can think of the Township's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position is one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall financial health of the Township.

In the statement of net position and the statement of activities, the Township is divided into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including police and fire, general administration, libraries, public works, and parks and recreation. Property taxes, the local services tax, intergovernmental revenues, and franchise fees finance most of these activities.
- **Business-type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's Sewer Utility Fund is reported here.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

**Reporting the Township's Most Significant Funds**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds have been established to help control and manage money for particular purposes (Special Revenue Funds) or to demonstrate compliance with legal responsibilities for using certain taxes, grants, and other money (Capital Projects Funds). The Township has three kinds of funds - governmental, proprietary, and fiduciary.

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are described in the reconciliation after the fund financial statements.
- **Proprietary Funds** – When the Township charges customers for the services it provides, these services generally are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the entity-wide statements but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds** – The Township is the trustee, or fiduciary, responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities (such as pension plans and the Custodial Fund) are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

**FINANCIAL ANALYSIS OF THE TOWNSHIP**

Entity-wide

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of 2022, the Township's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$95,422,607, which is a \$240,634 increase from the prior year.

Most of the outstanding debt of the Township was incurred for the acquisition and/or construction of the Township's parkland, building structures, highways, and additions or improvements to the libraries, storm drainage, and the sewer conveyance system. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position at the close of 2022 of \$29,309,764 may be used to meet these current and ongoing obligations to citizens and creditors.

As shown in Table 1, the 2022 net position increase of \$240,634 is due to the reduction of deferred inflows, mainly relating to pensions, offsetting the large increase in pension liability. Combined, those liabilities were offset by an increase in deferred outflows mainly relating to the pensions.

**TABLE 1: TREDYFFRYN TOWNSHIP'S NET POSITION**  
**December 31, 2022 and 2021**

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 27,625,205	\$ 31,095,307	\$ 58,720,512	\$ 27,443,602	\$ 32,564,248	\$ 60,007,850
Capital assets	58,324,660	10,359,172	68,683,832	57,697,581	9,059,253	66,756,834
Net pension asset	3,337,424	136,506	3,473,930	3,027,587	72,496	3,100,083
Deferred outflows	11,841,466	70,460	11,911,926	4,628,106	68,727	4,696,833
Total Assets and Deferred Outflows of Resources	101,128,755	41,661,445	142,790,200	92,796,876	41,764,724	134,561,600
Current liabilities	3,346,829	373,761	3,720,590	2,258,687	328,644	2,587,331
Noncurrent liabilities	39,196,537	274,003	39,470,540	26,565,501	311,177	26,876,678
Deferred inflows	4,054,838	121,625	4,176,463	9,795,501	120,117	9,915,618
Total Liabilities and Deferred Inflows of Resources	46,598,204	769,389	47,367,593	38,619,689	759,938	39,379,627
Net investment in capital assets	51,544,313	10,359,172	61,903,485	50,612,802	9,059,253	59,672,055
Restricted	4,072,852	136,506	4,209,358	4,004,789	72,496	4,077,285
Unrestricted (deficit)	(1,086,614)	30,396,378	29,309,764	(440,404)	31,873,037	31,432,633
Total Net Position	\$ 54,530,551	\$ 40,892,056	\$ 95,422,607	\$ 54,177,187	\$ 41,004,786	\$ 95,181,973

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

As shown in Table 2, revenues exceeded expenses by \$240,634 in 2022, resulting in an overall increase in net position.

**TABLE 2: TREDYFFRYN TOWNSHIP'S CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2022 and 2021**

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 3,541,308	\$ 4,850,738	\$ 8,392,046	\$ 3,863,815	\$ 5,496,213	\$ 9,360,028
Operating grants/ contributions	3,112,051	-	3,112,051	4,742,022	-	4,742,022
General revenues:						
Real estate taxes	9,647,295	-	9,647,295	9,459,646	-	9,459,646
Real estate transfer taxes	6,143,777	-	6,143,777	7,228,416	-	7,228,416
Local services tax	2,047,744	-	2,047,744	1,843,225	-	1,843,225
Franchise fees	652,664	-	652,664	647,828	-	647,828
Fines and forfeitures	121,330	-	121,330	113,802	-	113,802
Investment earnings	464,668	380,874	845,542	195,112	8,769	203,881
Other	112,499	-	112,499	555,912	-	555,912
<b>TOTAL REVENUES</b>	<b>25,843,336</b>	<b>5,231,612</b>	<b>31,074,948</b>	<b>28,649,778</b>	<b>5,504,982</b>	<b>34,154,760</b>
<b>EXPENSES</b>						
General government	3,019,618	-	3,019,618	2,699,510	-	2,699,510
Public safety	15,226,955	-	15,226,955	12,207,714	-	12,207,714
Highway/streets	4,756,307	-	4,756,307	4,503,385	-	4,503,385
Other public works	19,016	-	19,016	1,849	-	1,849
Library	1,579,835	-	1,579,835	1,372,237	-	1,372,237
Culture and recreation	698,521	-	698,521	856,784	-	856,784
Interest/other costs	189,720	-	189,720	220,705	-	220,705
Sewer operations	-	5,344,342	5,344,342	-	5,991,529	5,991,529
<b>TOTAL EXPENSES</b>	<b>25,489,972</b>	<b>5,344,342</b>	<b>30,834,314</b>	<b>21,862,184</b>	<b>5,991,529</b>	<b>27,853,713</b>
<b>CHANGE IN NET POSITION</b>	<b>353,364</b>	<b>(112,730)</b>	<b>240,634</b>	<b>6,787,594</b>	<b>(486,547)</b>	<b>6,301,047</b>
<b>NET POSITION, BEGINNING</b>	<b>54,177,187</b>	<b>41,004,786</b>	<b>95,181,973</b>	<b>47,389,593</b>	<b>41,491,333</b>	<b>88,880,926</b>
<b>NET POSITION, ENDING</b>	<b>\$ 54,530,551</b>	<b>\$ 40,892,056</b>	<b>\$ 95,422,607</b>	<b>\$ 54,177,187</b>	<b>\$ 41,004,786</b>	<b>\$ 95,181,973</b>

**Governmental Activities**

Real estate taxes and real estate transfer taxes generally provide the major funding for the Township's governmental activities. Real estate taxes are the largest revenue source, accounting for 37% of revenue. In 2022, the real estate millage rate was 2.569, which did not increase from 2021. Real estate revenue, however, grew \$187,649 due to an increase in the assessed value of real estate

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

within the Township. Real estate transfer taxes provided 23.8% of revenue and decreased \$1,084,639 from 2021. Operating grants and contributions and charges for service combined provided 25.7% of revenue. Local services tax represented 7.9% of revenue and increased \$204,519 from the previous year. This is the second consecutive year of growth for LST.

As shown in Table 3, the cost of all governmental activities this year was \$25,489,972. This represents an increase of \$3,627,788, which is 16.6% more than 2021. Of this amount, all forms of taxes funded 70%, with the balance funded through program revenues and other general revenues. The program revenues were paid by those who directly benefited from the programs (\$3,112,051), or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$3,541,308).

Public safety programs are the largest spending commitment, accounting for approximately 60% of the Township's governmental activities expenses. General administration and public works services combined accounted for approximately 31% of the expenses.

**TABLE 3: TREDYFFRYN TOWNSHIP'S GOVERNMENTAL ACTIVITIES NET COST**  
**For the Year Ended December 31, 2022**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>% of Total Cost</u>	<u>Program Revenue</u>	<u>Net Expense</u>
General	\$ 3,019,618	11.8%	\$ 894,211	\$ 2,125,407
Public safety	15,226,955	59.7%	4,317,135	10,909,820
Public works	4,775,323	18.7%	1,205,174	3,570,149
Library	1,579,835	6.2%	-	1,579,835
Culture/recreation	698,521	2.7%	236,839	461,682
Interest/other costs	189,720	0.7%	-	189,720
Totals	<u>\$ 25,489,972</u>	<u>100%</u>	<u>\$ 6,653,359</u>	<u>\$ 18,836,613</u>

**Business-type Activities**

Business-type activities consist of the Township's sewer system.

The Board of Supervisors establishes and collects sewer/utility fees from users of the system, which pay for the operation and maintenance of the sewer system.

The sewer fees also pay for operation and maintenance of the Township's traffic signals and streetlights.

Total revenues decreased by \$273,370 mainly due to the decrease in sewer tapping fees of \$768,702, which was offset by a \$372,105 increase in interest income.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

Sewer expenses totaled \$5,344,342 in 2022, a decrease of \$647,187 over the prior year balance of \$5,991,529. The main reason for the decrease was due to a reduction of \$540,627 in emergency projects in 2022.

The revenues include investment income in addition to charges for services (operating revenues). The investment income revenue is not specific to an individual program but to the fund as a whole.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As noted earlier, the Township uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds**

The Township maintains a General Fund which serves as the chief operating fund of the Township. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2022, the Township's governmental funds reported combined ending fund balance of \$24,731,069, a decrease of \$888,553 compared to the prior year mainly due to a \$1.6 million decrease in intergovernmental revenues. Those revenues include certain grant funding, which decreased in 2022 due to the Township using less ARPA funding than in 2021 and recognizing less grant revenue for capital projects. Approximately 69%, or \$17,030,169, constitutes unassigned fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is restricted, assigned, and/or nonspendable, which means that it is not available for new spending because it has already been committed to pay for: 1) debt service; 2) capital improvements; or 3) a variety of other purposes.

In 2022, the fund balance of the General Fund decreased by \$111,529. This decrease can be contributed to the transfer of funds to the Capital Construction Fund for various projects.

The Township maintains a Capital Construction Fund to account for major capital acquisitions and construction separately from the ongoing operating activities. As of December 31, 2022, the fund balance was \$3,778,423.

The Township maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The primary Special Revenue Funds include the Liquid Fuels Fund. Revenue sources for these funds include state grants, and interest earnings.

- Liquid Fuels Fund – The Township received \$888,821 from the Commonwealth of Pennsylvania to pay for roadway resurfacing and other road-related expenditures.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

**Proprietary Funds**

The Township's proprietary funds provide the same type of information found in the entity-wide financial statements, but in more detail.

Unrestricted net position of the Sewer Utility Fund at the end of the year amounted to \$40,892,056, the total decrease in net position was \$112,730. Factors contributing to the finances of this fund already have been addressed in the discussion of the Township's business-type activities.

**Fiduciary Funds**

The Township maintains a Pension Trust Fund, a Custodial Fund, and an OPEB Trust Fund to account for assets held by the Township in a trustee and custodial capacity. The Pension Trust Fund's assets pertain to the police defined benefit pension plan. The Custodial Fund is custodial in nature and account for escrow accounts held by the Township and the Chester County Emergency Response Commission. The OPEB Trust Fund's assets pertain to the effort of the Township to fund the retirement medical obligation; they will be used in the future for medical premiums.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no revisions to the original General Fund budget. The budget for the General Fund anticipated a decrease of \$1,129,760 to the existing fund balance. Based on the actual results, fund balance decreased by \$111,529. Revenues exceeded budgeted amounts by \$4,168,609, and expenditures were over budget by \$2,933,152.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2022 amounts to \$68,683,832, net of accumulated depreciation. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, land improvements infrastructure, and construction-in-progress.

Additional information on the Township's capital assets can be found in Note 4 of this report.

**Long-term Debt**

As of December 31, 2022, the Township had \$6,620,000 in bonds outstanding – a decrease of \$295,000 from the prior year.

**TREDYFFRIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**DECEMBER 31, 2022**

The Township maintains an "Aaa" rating from Moody's for its current debt issuances.

Additional information about the Township's long-term debt can be found in Note 5 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Real estate tax revenue increased slightly, but the overall assessment increased from the prior year. The Township continues to maintain a diversified real estate tax revenue base which contributes to the relatively stable real estate tax receipts. We expect that the assessed valuation will continue to increase heading into 2023. Collections are also expected to remain at current levels in 2023.
- The Township is expecting to increase taxes to meet operational needs in 2023.
- Transfer taxes decreased from the prior year but remains well above budget. We anticipate a slight increase in the overall budget for transfer taxes in 2023.
- Licenses and permit revenue decreased in 2022 when compared to 2022 by \$274,891. This was in line with our expectation, and we anticipate reducing revenues in the 2023 budget.
- The Township is committed to funding its long-term OPEB obligation and has increased funding of the OPEB Trust by \$25,000 for every new officer hired beginning in 2015. Funding is expected to be \$875,000 in 2023.
- The \$250/EDU sewer/utility fee remained the same in 2022. It will remain unchanged for 2023.
- The Township is expected to work towards establishing a Stormwater Management Fee in 2023 and anticipates creating a new fund as part of the 2023 budget.

All of these factors were considered in preparing the Township's budget for the 2023 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Tredyffrin Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Joseph F. DiRocco, CPA, Director of Finance, Tredyffrin Township, 1100 DuPortail Road, Berwyn, PA 19312. In addition, general information relating to Tredyffrin Township can be found via the web at [www.tredyffrin.org](http://www.tredyffrin.org).



**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**  
**(With Summarized Comparative Data for December 31, 2021)**

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 15,839,821	\$ 20,226,311	\$ 36,066,132	\$ 38,196,117
Investments	6,705,997	5,855,248	12,561,245	12,369,380
Taxes receivable	116,583	-	116,583	122,331
Accounts and other receivables	4,847,289	5,092,214	9,939,503	9,281,454
Prepaid expenses	37,049	-	37,049	38,568
Internal balances	78,466	(78,466)	-	-
<b>Total Current Assets</b>	<b>27,625,205</b>	<b>31,095,307</b>	<b>58,720,512</b>	<b>60,007,850</b>
<b>NONCURRENT ASSETS:</b>				
Depreciable capital assets, net	48,229,685	9,892,185	58,121,870	58,819,038
Land	8,939,710	-	8,939,710	7,108,684
Construction-in-progress	1,155,265	466,987	1,622,252	829,112
Net pension asset	3,337,424	136,506	3,473,930	3,100,083
<b>Total Noncurrent Assets</b>	<b>61,662,084</b>	<b>10,495,678</b>	<b>72,157,762</b>	<b>69,856,917</b>
<b>TOTAL ASSETS</b>	<b>89,287,289</b>	<b>41,590,985</b>	<b>130,878,274</b>	<b>129,864,767</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows relating to pensions	8,384,181	27,134	8,411,315	2,578,595
Deferred outflows relating to OPEB	3,457,285	43,326	3,500,611	2,118,238
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>11,841,466</b>	<b>70,460</b>	<b>11,911,926</b>	<b>4,696,833</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	519,604	373,761	893,365	1,286,865
Accrued interest	23,606	-	23,606	25,081
Unearned revenue	2,257,949	-	2,257,949	743,428
Bonds payable, including unamortized premium	314,432	-	314,432	304,432
Compensated absences	231,238	-	231,238	227,525
<b>Total Current Liabilities</b>	<b>3,346,829</b>	<b>373,761</b>	<b>3,720,590</b>	<b>2,587,331</b>
<b>NONCURRENT LIABILITIES:</b>				
Bonds payable, including unamortized premium	6,465,915	-	6,465,915	6,780,347
Compensated absences	191,465	-	191,465	202,719
Net OPEB liability	21,864,537	274,003	22,138,540	19,893,612
Net pension liability	10,674,620	-	10,674,620	-
<b>Total Noncurrent Liabilities</b>	<b>39,196,537</b>	<b>274,003</b>	<b>39,470,540</b>	<b>26,876,678</b>
<b>TOTAL LIABILITIES</b>	<b>42,543,366</b>	<b>647,764</b>	<b>43,191,130</b>	<b>29,464,009</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows relating to pensions	4,054,838	121,625	4,176,463	8,842,318
Deferred inflows relating to OPEB	-	-	-	1,073,300
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,054,838</b>	<b>121,625</b>	<b>4,176,463</b>	<b>9,915,618</b>
<b>NET POSITION:</b>				
Net investment in capital assets	51,544,313	10,359,172	61,903,485	59,672,055
Restricted for:				
Liquid fuels	273,253	-	273,253	427,911
Environmental resources	4,263	-	4,263	5,099
Parks fees in lieu	457,912	-	457,912	544,192
Net pension asset	3,337,424	136,506	3,473,930	3,100,083
Unrestricted (deficit)	(1,086,614)	30,396,378	29,309,764	31,432,633
<b>TOTAL NET POSITION</b>	<b>\$ 54,530,551</b>	<b>\$ 40,892,056</b>	<b>\$ 95,422,607</b>	<b>\$ 95,181,973</b>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Summarized Comparative Data for the Year Ended December 31, 2021)**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES:								
General government	\$ 3,019,618	\$ 376,572	\$ 517,639	\$ -	\$ (2,125,407)	\$ -	\$ (2,125,407)	\$ (429,039)
Public safety	15,226,955	2,672,100	1,645,035	-	(10,909,820)	-	(10,909,820)	(7,350,897)
Public works - highways and streets	4,756,307	156,107	888,821	-	(3,711,379)	-	(3,711,379)	(3,421,596)
Public works - sanitation	19,016	99,690	60,556	-	141,230	-	141,230	177,754
Library	1,579,835	-	-	-	(1,579,835)	-	(1,579,835)	(1,372,237)
Culture and recreation	698,521	236,839	-	-	(461,682)	-	(461,682)	(639,627)
Interest expense and other costs	189,720	-	-	-	(189,720)	-	(189,720)	(220,705)
TOTAL GOVERNMENTAL ACTIVITIES	25,489,972	3,541,308	3,112,051	-	(18,836,613)	-	(18,836,613)	(13,256,347)
BUSINESS-TYPE ACTIVITIES:								
Sewer	5,344,342	4,850,738	-	-	-	(493,604)	(493,604)	(495,316)
TOTAL BUSINESS-TYPE ACTIVITIES	5,344,342	4,850,738	-	-	-	(493,604)	(493,604)	(495,316)
TOTAL PRIMARY GOVERNMENT	<u>\$ 30,834,314</u>	<u>\$ 8,392,046</u>	<u>\$ 3,112,051</u>	<u>\$ -</u>	<u>(18,836,613)</u>	<u>(493,604)</u>	<u>(19,330,217)</u>	<u>(13,751,663)</u>
GENERAL REVENUES								
Taxes:								
Real estate taxes					9,647,295	-	9,647,295	9,459,646
Real estate transfer taxes					6,143,777	-	6,143,777	7,228,416
Local services taxes					2,047,744	-	2,047,744	1,843,225
Franchise fees					652,664	-	652,664	647,828
Fines and forfeitures					121,330	-	121,330	113,802
Investment earnings					464,668	380,874	845,542	203,881
Grants and contributions not restricted to specific programs					17,902	-	17,902	14,879
Gain on sale of capital assets					32,111	-	32,111	25,032
Miscellaneous					62,486	-	62,486	516,001
TOTAL GENERAL REVENUES					<u>19,189,977</u>	<u>380,874</u>	<u>19,570,851</u>	<u>20,052,710</u>
CHANGE IN NET POSITION					353,364	(112,730)	240,634	6,301,047
NET POSITION, BEGINNING OF YEAR					<u>54,177,187</u>	<u>41,004,786</u>	<u>95,181,973</u>	<u>88,880,926</u>
NET POSITION, END OF YEAR					<u>\$ 54,530,551</u>	<u>\$ 40,892,056</u>	<u>\$ 95,422,607</u>	<u>\$ 95,181,973</u>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**  
**(With Summarized Comparative Data for December 31, 2021)**

	General Fund	Capital Construction Fund	Other Governmental Funds	Totals	
				2022	2021
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,475,232	\$ 4,084,538	\$ 280,051	\$ 15,839,821	\$ 16,421,680
Investments	6,063,405	642,592	-	6,705,997	6,603,635
Taxes receivable	116,583	-	-	116,583	122,331
Accounts receivable	1,919,121	2,928,168	-	4,847,289	4,160,077
Due from other funds	3,795,755	-	-	3,795,755	3,790,130
Prepaid expenditures	37,049	-	-	37,049	38,568
<b>TOTAL ASSETS</b>	<b>23,407,145</b>	<b>7,655,298</b>	<b>280,051</b>	<b>31,342,494</b>	<b>31,136,421</b>
<b>LIABILITIES</b>					
Accounts payable	349,819	161,638	483	511,940	735,242
Accrued liabilities	7,664	-	-	7,664	222,979
Unearned revenue	2,257,949	-	-	2,257,949	743,428
Due to other funds	-	3,715,237	2,052	3,717,289	3,692,819
<b>TOTAL LIABILITIES</b>	<b>2,615,432</b>	<b>3,876,875</b>	<b>2,535</b>	<b>6,494,842</b>	<b>5,394,468</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes/assessments	116,583	-	-	116,583	122,331
<b>FUND BALANCES</b>					
Nonspendable	37,049	-	-	37,049	38,568
Restricted	457,912	-	277,516	735,428	1,670,630
Committed	3,150,000	-	-	3,150,000	3,150,000
Assigned	-	3,778,423	-	3,778,423	4,399,953
Unassigned	17,030,169	-	-	17,030,169	16,360,471
<b>TOTAL FUND BALANCES</b>	<b>\$ 20,675,130</b>	<b>\$ 3,778,423</b>	<b>\$ 277,516</b>	<b>\$ 24,731,069</b>	<b>\$ 25,619,622</b>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 24,731,069
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

Depreciable capital assets, net	\$ 48,229,685	
Land	8,939,710	
Construction-in-progress	<u>1,155,265</u>	58,324,660

The net pension asset is not a financial resource and is not reported in the funds.	3,337,424
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Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.	116,583
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Compensated absences	(422,703)	
Net OPEB liability	(21,864,537)	
Accrued interest payable	(23,606)	
Bonds payable, including unamortized premium	<u>(6,780,347)</u>	(39,765,813)

Deferred outflows and inflows of resources related to the Township's net pension asset and liability and net OPEB liability do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred outflows and inflows consist of the following:

Deferred outflows of resources:		
Deferred outflows relating to pensions	8,384,181	
Deferred outflows relating to OPEB	3,457,285	
Deferred inflows of resources:		
Deferred inflows relating to pensions	<u>(4,054,838)</u>	<u>7,786,628</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 54,530,551</u></u>
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The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Summarized Comparative Data for the Year Ended December 31, 2021)**

	General Fund	Capital Construction Fund	Other Governmental Funds	Totals	
				2022	2021
<b>REVENUES</b>					
Taxes	\$ 17,844,564	\$ -	\$ -	\$ 17,844,564	\$ 18,535,730
Licenses and permits	3,295,963	-	-	3,295,963	3,770,724
Fines, forfeits, and costs	121,330	-	-	121,330	113,802
Interest, dividends, and rents	377,555	73,177	13,936	464,668	195,112
Intergovernmental revenues	1,799,096	442,036	888,821	3,129,953	4,756,901
Charges for services/fees	898,009	-	-	898,009	740,919
Miscellaneous revenue/other	53,732	-	8,754	62,486	516,001
<b>TOTAL REVENUES</b>	<b>24,390,249</b>	<b>515,213</b>	<b>911,511</b>	<b>25,816,973</b>	<b>28,629,189</b>
<b>EXPENDITURES</b>					
Current:					
General government	4,306,908	45,004	9,708	4,361,620	2,534,677
Public safety	14,771,531	-	-	14,771,531	15,124,934
Public works - highways and streets	1,985,956	2,392,877	-	4,378,833	5,899,254
Public works - sanitation	24,088	-	-	24,088	25,087
Engineering	350,643	-	-	350,643	247,806
Library	1,334,177	60,496	-	1,394,673	1,266,566
Culture and recreation	960,622	-	-	960,622	891,695
Debt service:					
Principal	295,000	-	-	295,000	1,685,000
Interest and other charges	200,627	-	-	200,627	234,350
<b>TOTAL EXPENDITURES</b>	<b>24,229,552</b>	<b>2,498,377</b>	<b>9,708</b>	<b>26,737,637</b>	<b>27,909,369</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>160,697</b>	<b>(1,983,164)</b>	<b>901,803</b>	<b>(920,664)</b>	<b>719,820</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from the sale of assets	32,111	-	-	32,111	25,032
Transfers in	-	1,361,634	-	1,361,634	762,018
Transfers out	(304,337)	-	(1,057,297)	(1,361,634)	(762,018)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(272,226)</b>	<b>1,361,634</b>	<b>(1,057,297)</b>	<b>32,111</b>	<b>25,032</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(111,529)</b>	<b>(621,530)</b>	<b>(155,494)</b>	<b>(888,553)</b>	<b>744,852</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>20,786,659</b>	<b>4,399,953</b>	<b>433,010</b>	<b>25,619,622</b>	<b>24,874,770</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 20,675,130</b>	<b>\$ 3,778,423</b>	<b>\$ 277,516</b>	<b>\$ 24,731,069</b>	<b>\$ 25,619,622</b>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (888,553)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,819,953) exceeded depreciation expense (\$4,124,530) and capital asset disposals (\$68,344) in the current period. 627,079

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (5,748)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal repayments	\$ 295,000	
Accrued interest	1,475	
Amortization of bond premium	<u>9,432</u>	305,907

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	7,541
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In the statement of activities, pension and OPEB expense reflects the change in net pension asset/liability and net OPEB liability, net of deferrals. In the governmental funds, however, pension and OPEB expenditures reflect payments made to fund the pension and OPEB plans. This is the amount by which the change in net pension asset/liability and net OPEB liability and related deferrals exceed pension and OPEB contributions during the year. 307,138

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 353,364</u></u>
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The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Real estate taxes	\$ 9,398,000	\$ 9,653,043	\$ 255,043
Real estate transfer taxes	3,750,000	6,143,777	2,393,777
Local services taxes	1,950,000	2,047,744	97,744
Licenses and permits	2,888,375	3,295,963	407,588
Fines, forfeits, and costs	128,500	121,330	(7,170)
Interest, dividends, and rents	245,000	377,555	132,555
Intergovernmental revenues	1,184,465	1,799,096	614,631
Charges for services/fees	625,800	898,009	272,209
Miscellaneous revenue/other	51,500	53,732	2,232
<b>TOTAL REVENUES</b>	<u>20,221,640</u>	<u>24,390,249</u>	<u>4,168,609</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,440,140	4,306,908	(1,866,768)
Public safety	13,918,955	14,771,531	(852,576)
Public works - highways and streets	1,706,240	1,985,956	(279,716)
Public works - sanitation	18,250	24,088	(5,838)
Engineering	332,320	350,643	(18,323)
Library	1,428,345	1,334,177	94,168
Culture and recreation	956,500	960,622	(4,122)
Debt service:			
Principal	295,000	295,000	-
Interest and other charges	200,650	200,627	23
<b>TOTAL EXPENDITURES</b>	<u>21,296,400</u>	<u>24,229,552</u>	<u>(2,933,152)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,074,760)</u>	<u>160,697</u>	<u>1,235,457</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	45,000	32,111	(12,889)
Transfers out	(100,000)	(304,337)	(204,337)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(55,000)</u>	<u>(272,226)</u>	<u>(217,226)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,129,760)</u>	<u>(111,529)</u>	<u>1,018,231</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>20,786,659</u>	<u>20,786,659</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 19,656,899</u></u>	<u><u>\$ 20,675,130</u></u>	<u><u>\$ 1,018,231</u></u>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**STATEMENTS OF NET POSITION - PROPRIETARY FUND**  
**DECEMBER 31, 2022 AND 2021**

	Enterprise Fund	
	Sewer Utility	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,226,311	\$ 21,774,437
Investments	5,855,248	5,765,745
Accounts receivable - liened	579,535	631,513
Unbilled receivable	4,512,679	4,489,864
Total Current Assets	<u>31,173,773</u>	<u>32,661,559</u>
NONCURRENT ASSETS:		
Depreciable capital assets, net	9,892,185	8,619,039
Construction-in-progress	466,987	440,214
Net pension asset	136,506	72,496
Total Noncurrent Assets	<u>10,495,678</u>	<u>9,131,749</u>
TOTAL ASSETS	<u>41,669,451</u>	<u>41,793,308</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to pensions	27,134	35,593
Deferred outflows relating to OPEB	43,326	33,134
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>70,460</u>	<u>68,727</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	373,761	328,644
Due to other funds	78,466	97,311
Total Current Liabilities	<u>452,227</u>	<u>425,955</u>
NONCURRENT LIABILITIES:		
Net OPEB liability	274,003	311,177
Total Noncurrent Liabilities	<u>274,003</u>	<u>311,177</u>
TOTAL LIABILITIES	<u>726,230</u>	<u>737,132</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to pensions	121,625	103,328
Deferred inflows relating to OPEB	-	16,789
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>121,625</u>	<u>120,117</u>
NET POSITION:		
Investment in capital assets	10,359,172	9,059,253
Restricted - net pension asset	136,506	72,496
Unrestricted	30,396,378	31,873,037
TOTAL NET POSITION	<u>\$ 40,892,056</u>	<u>\$ 41,004,786</u>

The accompanying notes are an integral part of these financial statements.



**TREDYFFRIN TOWNSHIP**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Enterprise Fund	
	Sewer Utility	
	2022	2021
OPERATING REVENUES		
Sewer fees	\$ 4,593,083	\$ 5,356,822
Other fees	257,655	139,391
TOTAL OPERATING REVENUES	<u>4,850,738</u>	<u>5,496,213</u>
OPERATING EXPENSES		
Sewer disposal	2,824,233	2,933,561
Salaries and wages	528,774	572,782
Employee benefits	161,356	257,722
Administration	462,783	417,374
Supplies	65,373	55,351
Electric/lighting	279,642	272,279
Repairs and maintenance, net of insurance	551,881	1,019,788
Depreciation	470,300	462,672
TOTAL OPERATING EXPENSES	<u>5,344,342</u>	<u>5,991,529</u>
OPERATING INCOME (LOSS)	<u>(493,604)</u>	<u>(495,316)</u>
NONOPERATING REVENUES		
Interest and investment revenue	<u>380,874</u>	<u>8,769</u>
TOTAL NONOPERATING REVENUE	<u>380,874</u>	<u>8,769</u>
CHANGE IN NET POSITION	(112,730)	(486,547)
NET POSITION, BEGINNING OF YEAR	<u>41,004,786</u>	<u>41,491,333</u>
NET POSITION, END OF YEAR	<u>\$ 40,892,056</u>	<u>\$ 41,004,786</u>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Enterprise Funds	
	Sewer Utility	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,570,268	\$ 5,300,787
Receipts from other governments	309,633	165,643
Payments to suppliers for goods and services	(4,930,334)	(5,711,705)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(50,433)</u>	<u>(245,275)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances (repayments) from other funds	(18,845)	(125,299)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(18,845)</u>	<u>(125,299)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(1,770,219)	(882,725)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,770,219)</u>	<u>(882,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and investment revenues	380,874	8,769
Purchase of investments	(89,503)	(591)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>291,371</u>	<u>8,178</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,548,126)	(1,245,121)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>21,774,437</u>	<u>23,019,558</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 20,226,311</u></u>	<u><u>\$ 21,774,437</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (493,604)	\$ (495,316)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	470,300	462,672
(Increase) Decrease in assets and deferred outflows of resources:		
Accounts receivable	51,978	26,252
Unbilled receivables	(22,815)	(56,035)
Net pension asset	(64,010)	(49,094)
Deferred outflows of resources relating to pension	8,459	(17,636)
Deferred outflows of resources relating to OPEB	(10,192)	(33,134)
Increase (Decrease) in liabilities and deferred inflows of resources:		
Accounts payable	45,117	(153,715)
Net pension liability	-	-
Net OPEB liability	(37,174)	55,114
Deferred inflows of resources relating to pension	18,297	37,281
Deferred inflows of resources relating to OPEB	(16,789)	(21,664)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (50,433)</u></u>	<u><u>\$ (245,275)</u></u>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2022**

	OPEB Trust	Pension Trust Fund	Custodial Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 950,001	\$ 434,057	\$ 1,015,265
Investments, at fair value:			
Fixed income funds	-	11,989,205	-
Stock mutual funds	10,541,446	13,272,009	-
International mutual funds	-	6,747,277	-
Common stock	-	5,091,869	-
Real estate investment funds	-	2,368,983	-
Emerging market funds	-	696,646	-
Accounts receivable	2,937	14,805	2,179
Accrued interest	-	32,744	-
<b>TOTAL ASSETS</b>	<u><u>\$ 11,494,384</u></u>	<u><u>\$ 40,647,595</u></u>	<u><u>\$ 1,017,444</u></u>
 <b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 8,199	\$ 3,435
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>8,199</u>	<u>3,435</u>
 <b>NET POSITION:</b>			
Restricted for developers	-	-	1,014,009
Held in trust for pension benefits and pool participants	<u>11,494,384</u>	<u>40,639,396</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 11,494,384</u></u>	<u><u>\$ 40,647,595</u></u>	<u><u>\$ 1,017,444</u></u>

The accompanying notes are an integral part of these financial statements.

**TREDYFFRIN TOWNSHIP**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	OPEB Trust	Pension Trust Fund	Custodial Fund
ADDITIONS			
Contributions:			
State aid	\$ -	\$ 435,158	\$ -
Employer contributions	875,000	1,064,842	-
Employee contributions	-	256,799	-
Developer contributions	-	-	169,445
Total Contributions	<u>875,000</u>	<u>1,756,799</u>	<u>169,445</u>
Investment income:			
Interest and dividends	223,819	879,244	14,766
Unrealized gain (loss) on investments	(2,352,782)	(10,208,002)	-
Realized gain (loss) on investments	12,524	322,528	-
Total Investment Income (Loss)	<u>(2,116,439)</u>	<u>(9,006,230)</u>	<u>14,766</u>
Other income	<u>19</u>	<u>3,807</u>	<u>-</u>
NET ADDITIONS	<u>(1,241,420)</u>	<u>(7,245,624)</u>	<u>184,211</u>
DEDUCTIONS			
Return of developer contributions	-	-	474,813
Pension payments	-	2,202,298	-
Administrative expenses	<u>-</u>	<u>160,328</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>2,362,626</u>	<u>474,813</u>
CHANGE IN NET POSITION	(1,241,420)	(9,608,250)	(290,602)
NET POSITION, BEGINNING OF YEAR	<u>12,735,804</u>	<u>50,247,646</u>	<u>1,304,611</u>
NET POSITION, END OF YEAR	<u>\$ 11,494,384</u>	<u>\$ 40,639,396</u>	<u>\$ 1,014,009</u>

The accompanying notes are an integral part of these financial statements.

## TREDYFFRIN TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tredyffrin Township (the Township) is located at the eastern edge of Chester County, Pennsylvania, and is part of the Philadelphia Metropolitan Area. The Township was incorporated in 1707 and is a Home Rule Municipality. The Township is governed by a seven-member Board of Supervisors, four of whom are elected at large while three are elected from districts.

The accounting and reporting policies of the Township conform, in all material respects, to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

#### Reporting Entity

For financial reporting purposes, the Township's primary government includes all departments and agencies, bureaus, boards, commissions, and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component unit, which is a legally separate organization for which the Township's elected officials are financially accountable.

Financial accountability is defined in the GASB Codification. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

#### Blended Component Unit

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. The Township has one blended component unit.

**Tredyffrin Township Municipal Authority ("TTMA")** – TTMA was organized on June 30, 1959 as a separate legal entity under the laws of the Commonwealth of Pennsylvania. TTMA, whose purpose is to provide certain public programs and facilities, is administered by a seven-member Board appointed by the Township Board of Supervisors. The Township uses TTMA as an instrument to raise debt to fund various capital projects and infrastructure improvements. The Authority did not have any activity as of and for the year ended December 31, 2022.

#### Related Organizations

The Township's Board of Supervisors is responsible for appointing some of the members of the board of the Tredyffrin Township Library Foundation (the Foundation), but the Township's accountability for the Foundation does not extend beyond making the appointments. The Foundation was

## TREDYFFRIN TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

incorporated on May 24, 1993 under the Nonprofit Corporation Law of 1988 of the Commonwealth of Pennsylvania to raise funds and distribute funds to the Township's public libraries. In 2004, the Foundation initiated a capital campaign for renovation and expansion of the Tredyffrin Public Library. The Foundation transfers to the Township its share of the costs associated with the renovation and expansion of the library building and property.

#### Basis of Presentation

##### ***Entity-wide Financial Statements***

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as trust and custodial funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

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

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue and capital projects funds and the restrictions on their net position use.

##### ***Fund Financial Statements***

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Construction Fund is maintained to account for the accumulation of resources for acquisition of capital assets and the repayment of debt associated with capital assets.

All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the Liquid Fuels Fund and the Environmental Resources Fund.

The Township reports the following proprietary fund:

- The Sewer Utility Fund accounts for the revenues and expenses of the Township's sewer utility system.

***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period

## TREDYFFRIN TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available. Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

##### Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in the GASB Codification, certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

##### ***Proprietary Funds***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control.

Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds.

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

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

##### **Trust and Custodial Funds**

Trust and custodial funds are used to account for assets held by the Township in a trustee capacity or as a custodian for individuals, private organizations, other governments, and other funds. These include the Other Postemployment Benefits (OPEB) trust, pension trust, and custodial funds. The trust and custodial funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical.



## TREDYFFRIN TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Budgets and Budgetary Accounting

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

- At least 45 days before the end of the fiscal year, the Manager, as assisted by the Finance Director, prepares and submits to the Township Board a proposed budget for the following fiscal year.
- At least 30 days before the end of the fiscal year, the Board must adopt a preliminary budget.
- The Board must advertise at least once in two or more newspapers, with general circulation in the Township, at least 10 days before the date set for final adoption, and hold at least one public hearing on the preliminary budget.
- The Board must finally adopt a balanced budget before the start of the fiscal year to which it applies, except in a year immediately following a municipal election. The new Board may adopt a revised budget within 45 days after the start of the fiscal year.
- The Board may amend allocations within each appropriation, but changes in appropriations in any items on which budgetary controls are maintained shall be made only pursuant to an ordinance of the Board. All appropriations lapse at year end.

##### Cash and Cash Equivalents

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

##### Investments

Investments are recorded at fair value with the exception of external investment pools which are recorded at amortized cost.

In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

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

Unbilled Receivables

Sewer rents are billed annually on April 1 of each year for the preceding fiscal year. Billings are \$250 per equivalent dwelling unit (EDU).

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

Machinery and equipment	5 - 15 years
Vehicles	5 - 20 years
Land improvements	30 years
Buildings and improvements	10 - 30 years
Infrastructure	10 - 70 years

Compensated Absences

The Township has two policies of accumulating sick and vacation time. For the unionized police employees, a total of 80 hours of accumulated free or leave time (including accumulated vacation days, holiday, and/or personal days) may be carried over to the next calendar year. Any

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

such time not used by September 1 of the next calendar year shall be forfeited unless an extension is approved in writing by the Superintendent of Police. Sick time can be carried forward and used without limit.

Non-uniformed and uniformed Township employees are able to carry over a maximum of five vacation days per year to be used at their discretion. There is no limit to the carry-over of sick days; however, the Township is not liable for payment of any unused sick time upon the termination of an employee.

There are no buy-back provisions for any employee of the Township.

The liability for compensated absences totaled \$422,703 as of December 31, 2022 and is all attributed to the governmental activities.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The Township currently has two items that qualify for reporting in this category. Certain changes to the net pension asset and liability and OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. Governmental funds report delinquent taxes not collected within 60 days of year end as deferred inflows since they are not considered available to liquidate liabilities of the current period in accordance with modified accrual reporting.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expenses, except for refundings paid from proceeds which are reported as other financing uses.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Balances

Fund balances of the governmental funds are classified, as applicable, as follows:

*Nonspendable* – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

*Restricted* – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

*Committed* – amounts that can be used only for specific purposes determined by formal action of the Board of Township Supervisors. The Board is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

*Unassigned* – amounts available for consumption or not restricted in any manner.

It is the policy of the Township to maintain a minimum general fund unassigned fund balance to be used for unanticipated emergencies of no less than 25% of all general operating expenditures. Further, it is the goal of the Township to maintain a year-end unassigned fund balance with a minimum of 30% and a maximum of 35% of general fund operating expenditures. In the event the unassigned fund balance drops below the minimum level, the Township shall plan to adjust the budgeted resources in the subsequent year to restore the balance.

If the year-end general fund unassigned fund balance has exceeded or is expected to exceed the maximum level of 35%, the Township Manager will present a plan for consideration by the Board of Supervisors to implement actions that would reduce the fund balance within the goal range of 30 to 35%. Only under the following circumstances may the fund balance be budgeted to be in excess 35%: 1) in anticipation of a large capital or other unique operating expense being realized within the next two budget cycles; 2) anticipation of increased funding for the Township's OPEB trust; or 3) with a majority approval vote of the members of the Board of Supervisors.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned resources are available for use, it is the Township's policy to use committed funds first, followed by assigned resources, and then unassigned resources as they are needed.

## TREDYFFRIN TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the entity-wide financial statements and proprietary and fiduciary fund financial statements. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of amounts available for consumption or not restricted in any manner. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

##### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual amounts could differ from those estimates.

##### Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

#### NOTE 2 DEPOSITS AND INVESTMENTS

##### ***Deposits***

##### Legal and Contractual Restrictions - Township

The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2      DEPOSITS AND INVESTMENTS (cont'd)

the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

Legal and Contractual Restrictions - Authority

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, and make deposits in savings accounts, time deposits, or share amounts of institutions insured by federal deposit insurance, to the extent that such accounts are so insured, and for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository. The Authority also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies backed by the full faith and credit of the United States of America, or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, and shares of an investment company registered under the Investment Company Act of 1940 (mutual funds) whose shares are registered under the Securities Act of 1933, provided that the only investments of the company are in the authorized investments for Authority funds.

At December 31, 2022, the carrying amount of the Township's deposits (excluding the OPEB and pension deposits) was \$37,081,397, and the bank balance was \$37,774,904. Of the bank balance, \$500,000 was covered by federal depository insurance; \$14,815,270 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the Township's name; and \$22,459,634 was with the Pennsylvania Local Government Investment Trust (PLGIT).

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2022, PLGIT had a credit rating of AAAM.

***Investments***

Based on a legal opinion from the Township solicitor, as a Home Rule Municipality, the Township has broader investment options than other municipalities in Pennsylvania and has the power to invest subject to the terms, conditions, limitations, and restrictions imposed by laws upon fiduciaries. The Police Pension Trust Fund and OPEB Trust Fund are administered by trustees assigned by the Township Board of Supervisors who have responsibility for the exclusive management of the funds and the power to invest the monies therein subject to the terms, conditions, limitations, and restrictions imposed by law upon fiduciaries and as stated in a trust agreement between the Township and the trustees, including the statement of investment objectives. See Notes 8 and 15 for pension and OPEB deposit and investment disclosures.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2      DEPOSITS AND INVESTMENTS (cont'd)

As of December 31, 2022, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Maturities Less Than One Year</u>
<b><i>Governmental Activities:</i></b>			
PA INVEST	\$ 45,379	\$ **	\$ *
Vanguard money market account	<u>6,660,618</u>	<u>6,660,618</u>	<u>*</u>
<b>Total Governmental Activities</b>	<u>\$ 6,705,997</u>	<u>\$ 6,660,618</u>	<u>\$ -</u>
<b><i>Business-type Activities:</i></b>			
Vanguard money market account	<u>\$ 5,855,248</u>	<u>\$ 5,855,248</u>	<u>\$ *</u>
<b>Total Business-type Activities</b>	<u>\$ 5,855,248</u>	<u>\$ 5,855,248</u>	<u>\$ -</u>

\* Investments in money market accounts and mutual funds do not have specific maturity dates.

\*\* External investment pool recorded at amortized cost which approximates fair value and is determined by the pool's share price.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2022, the Township did not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an insurer of another counterparty to an investment will not fulfill its obligation. The Township's investment policy limits its investment choices to the following:

- Equity securities that are considered high quality, readily marketable securities of corporations listed on the NYSE, AMEX, and NASDAQ.
- Bonds and other securities of the U.S. Government and its agencies.
- Investment-grade corporate issues rated A or better by Standard and Poor's and/or Moody's rating system.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2      DEPOSITS AND INVESTMENTS (cont'd)

- Mortgage-backed securities and other asset-backed securities having a rating of AAA or better.

As of December 31, 2022, the Township's investments in money market accounts with Vanguard are not rated. The money market accounts with PA INVEST had a credit rating of AAAM.

Concentration Risk

Excluding the Township's investments in mutual funds and external investment pools, none of the Township's investments exceed more than 5% of the Township's total investments.

NOTE 3      INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2022 was as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 3,795,755	\$ -
Capital construction fund	-	3,715,237
Nonmajor governmental funds	-	2,052
Sewer utility fund	-	78,466
	<u>\$ 3,795,755</u>	<u>\$ 3,795,755</u>

Interfund balances represent temporary loans recorded at year end. The balances are repaid shortly after year end.

Interfund transfers:

<b>Transfers Out</b>		<b>Transfers In</b>	
General fund	\$ 343,337	Capital construction fund	\$ 1,361,634
Other governmental funds	<u>1,057,297</u>		
Total	<u>\$ 1,361,634</u>	Total	<u>\$ 1,361,634</u>

The most significant transfers represent funds used for the payment of liquid fuels expenditures that were paid for by the capital construction fund, the funding of capital projects by the general fund, and the funds used for capital construction financed through the highway projects fund.



TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance 01/01/22	Increases	Decreases	Balance 12/31/22
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated:				
Land	\$ 7,108,684	\$ 1,831,026	\$ -	\$ 8,939,710
Construction-in-progress	388,898	889,900	(123,533)	1,155,265
Total Capital Assets Not Being Depreciated	<u>7,497,582</u>	<u>2,720,926</u>	<u>(123,533)</u>	<u>10,094,975</u>
Capital assets being depreciated:				
Land improvements	41,816,534	1,426,656	(3,559,495)	39,683,695
Buildings and improvements	23,849,648	80,619	(32,157)	23,898,110
Vehicles	4,887,774	427,328	(332,152)	4,982,950
Machinery and equipment	1,745,460	52,221	(14,500)	1,783,181
Infrastructure	32,180,440	3,772,982	(1,011,300)	34,942,122
Total Capital Assets Being Depreciated	<u>104,479,856</u>	<u>5,759,806</u>	<u>(4,949,604)</u>	<u>105,290,058</u>
Accumulated depreciation	<u>54,279,857</u>	<u>4,124,530</u>	<u>(1,344,014)</u>	<u>57,060,373</u>
Total Capital Assets Being Depreciated, Net	<u>50,199,999</u>	<u>1,635,276</u>	<u>(3,605,590)</u>	<u>48,229,685</u>
Governmental Activities, Net	<u>\$57,697,581</u>	<u>\$ 4,356,202</u>	<u>\$ (3,729,123)</u>	<u>\$58,324,660</u>
<b><i>Business-type Activities</i></b>				
Capital assets not being depreciated:				
Construction-in-progress	\$ 440,214	\$ 118,903	\$ (92,130)	\$ 466,987
Total Capital Assets Not Being Depreciated	<u>440,214</u>	<u>118,903</u>	<u>(92,130)</u>	<u>466,987</u>
Capital assets being depreciated:				
Collection sewer system - infrastructure	20,298,816	228,305	-	20,527,121
Buildings and improvements	495,627	1,356,426	-	1,852,053
Vehicles	482,203	39,900	-	522,103
Machinery and equipment	<u>1,179,980</u>	<u>118,815</u>	<u>-</u>	<u>1,298,795</u>
Total Capital Assets Being Depreciated	<u>22,456,626</u>	<u>1,743,446</u>	<u>-</u>	<u>24,200,073</u>
Accumulated depreciation	<u>13,837,587</u>	<u>470,300</u>	<u>-</u>	<u>14,307,887</u>
Total Capital Assets Being Depreciated, Net	<u>8,619,039</u>	<u>1,273,146</u>	<u>-</u>	<u>9,892,185</u>
Business-type Activities, Net	<u>\$ 9,059,253</u>	<u>\$ 1,392,049</u>	<u>\$ (92,130)</u>	<u>\$10,359,172</u>

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4      CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	\$ 450,055
Public safety	193,709
Public works - highway and maintenance	2,158,590
Public works - infrastructure	781,624
Library	334,992
Culture and recreation	<u>205,560</u>
 Total Governmental Activities	 <u>\$ 4,124,530</u>
 Business-type Activities:	
Sewer	<u>\$ 470,301</u>

NOTE 5      LONG-TERM DEBT

Series of 2019 General Obligation Revenue Bonds, issued \$6,920,000 in November 2019 at 2.00% to 4.00%, interest and principal payable annually from November 2021 through November 2039. The purpose of this issue was for a series of capital projects including improvements to Dummers Lane Bridge and Howellville Road Bridge, improvements to the Township Administration Building, and other various projects.

\$6,620,000

Total Outstanding Debt

\$6,620,000

An analysis of debt service requirements to maturity on these obligations follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 305,000	\$ 188,850
2024	315,000	179,700
2025	325,000	170,250
2026	335,000	160,500
2027	345,000	150,450
2028 - 2032	1,885,000	591,825
2033 - 2037	2,160,000	311,987
2038 - 2039	<u>950,000</u>	<u>39,325</u>
 TOTAL	 <u>\$ 6,620,000</u>	 <u>\$ 1,792,887</u>

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

A schedule of long-term liabilities is as follows:

	Outstanding 01/01/22	Additions	Retirements	Outstanding 12/31/22	Amounts Due Within One Year
<b>Governmental Activities:</b>					
2019 G.O.B.	\$ 6,920,000	\$ -	\$ 295,000	\$ 6,620,000	\$ 305,000
Premium	169,779	-	9,432	160,347	9,432
Total General Obligation Bonds	7,084,779	-	304,432	6,780,347	314,432
Compensated absences	430,244	-	7,541	422,703	231,238
Net OPEB liability	19,582,435	2,282,102	-	21,864,537	-
Net pension liability	-	10,674,620	-	10,674,620	-
Total Governmental Activities	27,097,458	12,956,722	311,973	39,742,207	545,670
<b>Business-type Activities:</b>					
Net OPEB liability	311,177	-	37,174	274,003	-
Total Business-type Activities	311,177	-	37,174	274,003	-
<b>TOTAL</b>	<b>\$ 27,408,635</b>	<b>\$12,956,722</b>	<b>\$ 349,147</b>	<b>\$ 40,016,210</b>	<b>\$ 545,670</b>

The governmental activities long-term liabilities are expected to be repaid by the General Fund.

The business-type activities long-term liabilities are expected to be repaid by the Sewer Utility Fund.

NOTE 6 FUND BALANCES

As of December 31, 2022, fund balance is composed of the following:

	General Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 37,049	\$ -	\$ -	\$ 37,049
Restricted:				
Streets and highways	-	-	273,253	273,253
Environmental resources	-	-	4,263	4,263
Park fee in lieu	457,912	-	-	457,912
Committed:				
Berwyn Fire Company	3,150,000	-	-	3,150,000
Assigned:				
Capital construction	-	3,778,423	-	3,778,423
Unassigned	17,030,169	-	-	17,030,169
<b>TOTAL</b>	<b>\$ 20,675,130</b>	<b>\$ 3,778,423</b>	<b>\$ 277,516</b>	<b>\$ 24,731,069</b>

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 7      TAXES

For 2022, the following tax was levied on assessed value of real estate:

2.5 mills for general purposes

The taxable assessed valuation of property as of December 31, 2022 was \$3,759,568,247.

The real estate tax collection calendar is as follows:

Initial billing	-	February 1
Discount period	-	February 1 - March 31
Face period	-	April 1 - May 31
Penalty period		June 1 and thereafter
Lien date		January 15 (the following year)

Other taxes levied in 2022:

Real estate transfer	-	1% of sale price
Local service tax	-	\$52 per person per calendar year for persons who work within the Township with annual earnings of at least \$12,000

NOTE 8      POLICE PENSION PLAN

Detailed information about the plan's fiduciary net position is available in the separately issued Tredyffrin Township Police Pension Fund financial report.

Plan Description and Provisions

The Tredyffrin Township Police Pension Plan (the Plan) is a self-administered single employer, contributory, defined benefit pension plan covering the Township's full-time police officers, as defined by the plan document. The Township Board of Supervisors established a trust fund maintained by trustees as so designated by a trust agreement between the Township and the trustees. An annual actuarial report and complete financial statements for the Plan can be obtained at the Township administrative building. A review of the plan documents as of December 31, 2022 disclosed that plan membership consisted of the following:

Active employees	42
Retirees and beneficiaries currently receiving benefits	
receiving benefits	55
Vested terminated members	<u>4</u>
Total	<u><u>101</u></u>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

Normal retirement date for members is the first day of the month coincident with or immediately following the earliest of the date the member reaches the age of 52 and completes 25 years of service or reaches the age of 60 and completes 20 years of service.

The annual pension benefit for members who remain in service until their normal retirement date shall be equal to 50% of their average yearly compensation (base pay, shift differential, and longevity pay) during the three years immediately preceding their retirement date, provided they completed 20 or more years of continuous service. This benefit will be reduced proportionately for members who have completed less than 20 years of continuous service. Benefits shall be increased up to 3% per year to reflect increases in the cost of living so long as the Plan is actuarially sound. Members hired after December 31, 2003 will be subject to the same pension eligibility requirements and shall receive the same pension benefits as those hired on or before that date, so long as the requirements and benefits are consistent with applicable law; otherwise, the eligibility requirements and benefits will be adjusted so as to be consistent with applicable law.

A member who terminates service before normal retirement date may elect one of the following options:

1. Members with fewer than 12 years of continuous service shall receive a full refund of their member contributions with interest compounded at the rate of 5% per year.
2. Members completing 12 years of continuous service are 100% vested in their accrued pension benefit and entitled to:
  - a. Leave their participant contributions in the pension plan and receive a monthly pension distribution equal to the vested interest in their accrued pension benefit beginning on what would have been their normal retirement date; or
  - b. Withdraw a lump-sum distribution of participant contributions together with interest compounded at the rate of 5% per year, and receive an actuarially reduced pension distribution of the residual value of their accrued pension benefit beginning on what would have been their normal retirement date.
3. Members with 20 or more years of service shall have the additional option of choosing an early retirement benefit which shall be an actuarial equivalent of the members' accrued pension benefit reduced to reflect that it will commence on the effective date of the early retirement rather than their normal retirement date.

The Plan also contains the following disability, death benefit, and survivor provisions:

*Disability Benefit Service Related:* Unable to perform all normal and essential duties shall be entitled the greater of 50% of final salary at time of disability or 50% of the final average compensation during the last 36 months of employment, both offset by social security.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

*Disability Benefit Non-service Related:* Only applies to officers hired prior to January 1, 2004 who are unable to perform all normal and essential duties but who are deemed employable in other gainful employment shall receive a benefit equal to the greater of: (1) 25% of the base average salary during the last 36 months of employment, or (2) accrued benefit to date, or (3) not greater than the service-related benefit.

*Survivor Benefit:* If an officer is killed in service before becoming eligible to retire, widow (or children under 23) receives 100% of the officer's salary. In the event of the death of a retired officer, the survivor would receive 50% of the pension the member was receiving. Vested refund of contributions with interest or 50% of vested benefit payable beginning at officer's superannuation retirement date.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2022, the carrying amount of the Plan's money market accounts was \$434,057. The Plan's deposits are invested in First American Government Obligations, which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

***Investments***

The investment objective of the Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. As of December 31, 2022, the Plan had \$40,165,989 invested in fixed income and equity mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Fixed income funds	\$ 11,989,205	\$ 11,989,205
Stock mutual funds	13,272,009	13,272,009
International mutual funds	6,747,277	6,747,277
Common stock	5,091,869	5,091,869
Real estate investment funds	2,368,983	2,368,983
Emerging market funds	696,646	696,646
<b>TOTAL</b>	<b>\$ 40,165,989</b>	<b>\$ 40,165,989</b>

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

The Plan's investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	42.00%	5.10%
International equity	13.50%	4.80%
Emerging markets	5.50%	5.20%
REITs	6.00%	4.10%
Fixed income	16.50%	1.40%
Interim IG Corp	8.25%	1.40%
High yield	4.13%	2.50%
Emerging debt	4.12%	2.40%
Cash	0.00%	(0.30%)

The long-term expected rate of return on plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and then adding expected inflation. Best-estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022 are listed in the table above.

Contributions

The Commonwealth of Pennsylvania Act 205 requires that annual contributions be based upon the minimum municipal obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205. In addition to the MMO, employees were required to contribute 5% of their compensation (base pay, shift differential, and longevity pay) to the Plan during 2022.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are paid by the Plan.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

Actuarial Methods and Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2022 was determined as part of actuarial valuation at January 1, 2021. Update procedures were used to roll forward January 1, 2021 liabilities to the Plan's fiscal year ended December 31, 2022. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	5 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25% per annum, compounded annually
Projected salary increases	5.00% per annum, compounded annually
Cost of living adjustments	2.25% per year, maximum

Mortality rates were based on the PUBS-2010 Mortality projected five years past the valuation date using scale MP-2020.

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.25%. The Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2022, and the total pension liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.



TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2021	<u>\$48,967,189</u>	<u>\$50,247,646</u>	<u>(\$1,280,457)</u>
Service cost	1,074,564	-	1,074,564
Interest cost	3,474,561	-	3,474,561
Change for experience	-	-	-
Change for assumption	-	-	-
Contributions – employer	-	1,064,842	(1,064,842)
Contributions – state aid	-	435,158	(435,158)
Contributions – member	-	256,799	(256,799)
Net investment income	-	(9,002,423)	9,002,423
Benefit payments, including refunds of member contributions	(2,202,298)	(2,202,298)	-
Administrative expense	-	(160,328)	(160,328)
Net changes	<u>2,346,827</u>	<u>(9,608,250)</u>	<u>11,955,077</u>
Balances at December 31, 2022	<u>\$51,314,016</u>	<u>\$40,639,396</u>	<u>\$10,674,620</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan net pension liability (asset)	\$17,355,500	\$10,674,620	\$ 5,153,618

Money-weighted Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on the plan investments, net of investment expense was (18.14)%. The money-weighted rate of return

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the Township recognized pension expense of \$2,173,244. At December 31, 2022, the Township reported deferred outflows and inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$ 911,507
Changes in assumptions	1,301,665	-
Net difference between projected and actual investment earnings	<u>6,409,492</u>	<u>-</u>
	<u>\$ 7,711,147</u>	<u>\$ 911,507</u>

These amounts will be reported as deferred outflows and inflows of resources related to the pension and will be recognized in pension expense as follows:

Year Ending December 31,

2023	\$ 538,555
2024	1,449,103
2025	2,116,886
2026	<u>2,695,096</u>
	<u>\$ 6,799,640</u>

NOTE 9 NON-UNIFORMED PENSION PLAN

The Township provides pension benefits for non-uniformed employees through the Pennsylvania Municipal Retirement System (PMRS), a statewide local government system. PMRS is an agent multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of PMRS is vested in the 11-member Pennsylvania Municipal Retirement Board. The PMRS issues a separate Annual Comprehensive Financial Report. A copy of this report can be obtained by contacting the PMRS Accounting Office at P.O. Box 1165, Harrisburg, PA 17108-1165 or (717) 787-2065.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

Determination of contribution requirements:

	<u>PMRS Plan</u>
Employer	Based on actuarial study and minimum municipal obligation calculation
Plan members	4% of base and longevity
Period vested	8 years
Eligibility for distribution	Age 70½ or if becoming permanently disabled or deceased while employed

A review of the pension plan documents at December 31, 2022 disclosed that pension plan membership consisted of the following:

	<u>PMRS Plan</u>
Active employees	61
Retirees and beneficiaries currently receiving benefits	58
Vested terminated employees	<u>10</u>
Total	<u><u>129</u></u>

The current year annual pension cost for the PMRS Plan is shown below.

	<u>PMRS Plan</u>	
<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 204,151	100.00%
2014	\$ 201,874	100.00%
2015	\$ 202,074	100.00%
2016	\$ 267,307	100.00%
2017	\$ 282,686	100.00%
2018	\$ 311,630	100.00%
2019	\$ 311,325	100.00%
2020	\$ 316,222	100.00%
2021	\$ 330,921	100.00%
2022	\$ 362,003	100.00%

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

Valuation of Investments

The pension plan's assets with PMRS are valued at fair value. The plan's assets with the PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by the GASB Codification for aggregate PMRS investments are included in the PMRS' separately issued Annual Comprehensive Financial Report.

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.

Allocation of Investments

The PMRS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equities (large capitalized firms)	24.50%	4.99%
Domestic equities (small capitalized firms)	8.00%	5.68%
International equities (international developed markets)	14.50%	5.57%
International equities (emerging markets)	3.00%	5.71%
Global equities	5.00%	4.78%
Real estate	10.00%	4.90%
Timber	5.00%	3.67%
Fixed income (core investment grade)	24.00%	1.82%
Fixed income (opportunistic credit)	5.00%	5.38%
Cash	1.00%	(1.32)%

The PMRS system's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole at different levels of probability, and confidence.

Actuarial Methods and Assumptions

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2021 is based upon the January 1, 2019 actuarial valuation.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9      NON-UNIFORMED PENSION PLAN (cont'd)

Below is a summary of the key assumptions and methods used to determine the contribution rates.

Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	11 years
Asset valuation method	Based upon municipal reserves
Actuarial assumptions:	
Discount rate	5.25%
Investment rate of return	5.25% per annum, compounded annually
Projected salary increases	Age related scale with merit and inflation component
Cost of living adjustments	2.8%

Pre-retirement mortality rates were based on the RP-2000 Mortality Table with a 5-year setback for females. Post-retirement mortality rates were based upon the Sex Distinct RP-2000 Combined Healthy Mortality Table.

Discount Rate Determination

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Adherence to the actuarial funding policy described above will result in the pension plan's projected fiduciary net position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

The net pension asset was measured as of December 31, 2021, and the total pension liability was determined from the actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2020	<u>\$ 18,090,159</u>	<u>\$ 19,909,785</u>	<u>\$ (1,819,626)</u>
Service cost	493,538	-	439,759
Interest cost	953,077	-	892,531
Contributions – employer	-	359,183	(359,183)
Contributions – PMRS assessment	-	2,820	(2,820)
Contributions – member	-	155,377	(155,377)
PMRS investment income	-	928,638	(928,638)
Market value investment income	-	1,710,317	(1,710,317)
Benefit payments, including refunds of member contributions	(870,858)	(870,858)	-
PMRS administrative expense	-	(2,820)	2,820
Additional administrative expense	-	(52,596)	52,596
Net changes	<u>575,757</u>	<u>2,230,061</u>	<u>(1,654,304)</u>
Balances at December 31, 2021	<u>\$ 18,665,916</u>	<u>\$ 22,139,846</u>	<u>\$ (3,473,930)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension asset to changes in the discount rate. The table below presents the net pension asset calculated using the discount rate of 5.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate of one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Plan net pension liability (asset)	\$ (1,224,382)	\$ (3,473,930)	\$ (5,369,485)

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the Township recognized pension credit of \$589,747. At December 31, 2022, the Township reported deferred outflows and deferred inflows of resources related to the non-uniformed pension plan from the following sources:

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 86,029	\$ -
Change in assumptions	241,175	-
Net difference between projected and actual investment earnings	-	3,264,956
Contributions subsequent to the date of measurement	372,964	-
	<u>\$ 700,168</u>	<u>\$ 3,264,956</u>

An amount of \$372,964 is reported as deferred outflows of resources resulting from the Township's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to the pension and will be recognized in pension expense as follows:

Year Ending December 31,

2023	\$ (742,474)
2024	(998,926)
2025	(732,662)
2026	<u>(463,690)</u>
	<u><u>\$(2,937,752)</u></u>

NOTE 10 DEFERRED COMPENSATION PLAN

The Township offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is optional, allows participants to defer salary until future years. In 2022, the maximum contribution into the plan was \$20,500 per employee. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Township has no legal access to the assets of the plan, which are held in a trust and no longer subject to the claims of the Township's general creditors.

NOTE 11 RELATED PARTY

The Township participates in the operation of the Tredyffrin Public Library, which is a branch of the Chester County Library System. The library is administered by a Board of Trustees.

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 11 RELATED PARTY (cont'd)

Under a 1965 agreement between the Township and the County of Chester, the Township must contribute one-half of the minimum amount necessary to qualify for maximum state aid for the library. During 1980, the Township executed an agreement with the Paoli Library Association that merged the Paoli Library with the Tredyffrin Public Library. In 2022, the Township appropriated and expensed \$1,344,177 for the support of the libraries. Additionally, the Township provides land and building facilities to the libraries rent free.

NOTE 12 CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

The Township participates in state and county-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 13 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Township. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 14 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, the General Fund incurred expenditures in excess of appropriations in the following functions:

General government	\$	1,866,768
Public safety	\$	852,576
Public works – highways and streets	\$	279,716
Public works – sanitation	\$	5,838
Engineering	\$	18,323
Culture and recreation	\$	4,122



TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 14     STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The excess expenditures were covered by revenues exceeding budgeted amounts and savings in other expenditure line items.

NOTE 15     OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Township's other postemployment benefits offered to police employees and retirees is a single employer defined benefit plan for benefits other than pension, which is outlined in the Collective Bargaining Agreement between the Township and the Tredyffrin Township Police Association and is in effect through December 31, 2028. The Township's other postemployment benefits (the Plan) offered to non-uniformed employees and retirees is a single employer defined benefit plan for benefits other than pension, which is controlled by the Township.

Plan Membership

As of December 31, 2022, membership consisted of:

Fully eligible active employees	6
Retirees and beneficiaries currently receiving benefits	64
Other active employees not fully eligible	<u>49</u>
TOTAL	<u>119</u>

Actuarial Assumptions and Other Inputs

An actuarial valuation of the total OPEB liability is performed biennially. The total OPEB liability was determined as part of the actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the municipality's fiscal year ending December 31, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.84% based on the asset allocation and the long-term expected rates of return.

Withdrawal

Uniformed Life – None assumed

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 15     OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Non-uniformed Life – According to the following table:

<u>Years of Service</u>	<u>Rate</u>
Less than 2	18.0%
2 but less than 3	14.0%
3 but less than 4	12.0%
4 but less than 5	9.0%
5 but less than 6	9.0%
6 but less than 7	8.0%
7 but less than 8	7.5%
8 but less than 9	6.5%
9 but less than 10	5.0%
10 or more	4.0%

Mortality

Uniformed Life – 2010 PUB-S projected to 2026 using Scale MP-2020

Non-uniformed Life – 2010 PUB-S projected to 2026 using Scale MP-2020

Disability

Same as a Healthy Life advanced 10 years

Retirement

Uniformed – Retirement is assumed to occur according to the following table:

<u>Age</u>	<u>Rate</u>
52	40%
53	20%
54	20%
55	20%
56	20%
57	20%
58	20%
59	20%
60	100%

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 15    OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Non-uniformed – Retirement is assumed to occur according to the following table:

<u>Age</u>	<u>First Eligible at Age 60</u>	<u>First Eligible at Age 62</u>
60	28%	0%
61	18%	0%
62	18%	28%
63	18%	18%
64	18%	18%
65	25%	25%
66 - 74	20%	20%
75	100%	100%

Percent Married at Retirement

Uniformed Retirees – Eighty percent of future uniformed retirees are assumed to have a spouse participating in coverage.

Non-uniformed Retirees – Sixty percent of future non-uniformed retirees are assumed to have a spouse participating in coverage.

Spouse Age

Wives are assumed to be three years younger than their husbands.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2022, the carrying amount of the Plan's money market accounts

TREDYFFRIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

was \$950,001. The Plan's deposits are invested in First American Government Obligations, which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

***Investments***

The investment objective of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments, and other asset classes as may be deemed prudent. As of December 31, 2022, the Plan had \$10,541,446 invested in stock mutual funds valued using Level 1 inputs. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

The Plan's investment policy does not establish any specific target allocation into asset classes.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 5.84%	Current Discount Rate 6.84%	1% Increase 7.84%
Net OPEB liability	\$26,065,409	\$22,138,540	\$18,818,816

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$19,779,892	\$22,138,540	\$28,757,463

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at December 31, 2021	\$32,629,416	\$12,735,804	\$19,893,612
Service cost	459,602	-	459,602
Interest cost	2,206,429	-	2,206,429
Contributions – employer	-	875,000	(875,000)
Net investment income	-	(2,116,420)	2,116,420
Benefit payments, including refunds of member contributions	(1,662,523)	-	(1,662,523)
Net changes	1,003,508	(1,241,420)	(237,912)
Balances at December 31, 2022	\$33,632,924	\$11,494,384	\$22,138,540

The amount of OPEB expense for the single employer plan recognized by the Township was \$2,326,779 for the year ended December 31, 2022. At December 31, 2022, the Township reported deferred outflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources
Net difference between expected and actual experience	\$ 217,847
Change in assumptions	1,692,023
Net difference between projected and actual investment earnings	1,590,741
	<u>\$ 3,500,611</u>

Deferred outflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ 381,212
2024	561,019
2025	971,593
2026	1,246,982
2027	339,805
	<u>\$ 3,500,611</u>

TREDYFFRIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 16 CAPITAL IMPROVEMENT COMMITMENTS

As of December 31, 2022, anticipated construction commitments are as follows:

	Contract Amount	Completed at 12/31/2022	Estimated Balance to Complete
<i>Governmental Activities:</i>			
Bair Road Stormwater Improvements	\$ 104,600	\$ 26,458	\$ 78,142
Stormwater Fee Development	397,968	102,612	295,356
Woodcrest/Willis/Upper Weadley	221,400	11,127	210,273
Chesterbrook Blvd. Culvert	199,917	129,879	70,038
Roof and HVAC Replacement	78,420	60,496	17,924
Network Upgrades	28,728	18,179	10,549
Pugh Road Emergency Project	1,065,396	540,896	524,500
Wilson Farm Park Master Plan	207,295	207,291	4
MS4 Program	97,500	31,267	66,233
Total Governmental Activities	<u>2,401,224</u>	<u>1,128,205</u>	<u>1,273,019</u>
<i>Business-type Activities:</i>			
Lancaster/Glenn Avenue PS Design	527,100	386,831	140,269
SCADA System	79,200	74,864	4,336
Cured in Place	5,292	5,292	-
Total Business-type Activities	<u>611,592</u>	<u>466,987</u>	<u>144,605</u>
Total Entity-wide	<u>\$ 3,012,816</u>	<u>\$ 1,595,192</u>	<u>\$ 1,417,624</u>

In addition to the above contracts, the Township has incurred costs totaling \$27,060 for the governmental activities project costs that are not under a formal contract as of December 31, 2022.

NOTE 17 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through July 12, 2023, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TREDYFFRIN TOWNSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET), INVESTMENT**  
**RETURNS, AND RELATED RATIOS - POLICE PENSION PLAN**

	MEASUREMENT DATE								
	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 1,074,564	\$ 954,025	\$ 914,252	\$ 870,716	\$ 824,867	\$ 785,588	\$ 781,263	\$ 744,060	\$ 649,648
Interest cost	3,474,561	3,374,354	3,130,391	2,987,629	2,945,590	2,831,071	2,751,413	2,619,243	2,357,601
Change for experience	-	(829,613)	-	(1,247,272)	-	(622,406)	-	844,664	-
Change for assumption	-	1,995,871	-	-	-	1,319,097	-	974,828	-
Benefit payments	(2,202,298)	(1,883,365)	(1,961,782)	(1,830,089)	(2,148,298)	(2,004,433)	(1,735,440)	(1,541,042)	(1,324,161)
NET CHANGE IN TOTAL PENSION LIABILITY	2,346,827	3,611,272	2,082,861	780,984	1,622,159	2,308,917	1,797,236	3,641,753	1,683,088
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	48,967,189	45,355,917	43,273,056	42,492,072	40,869,913	38,560,996	36,763,760	33,122,007	31,438,919
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 51,314,016</u>	<u>\$ 48,967,189</u>	<u>\$ 45,355,917</u>	<u>\$ 43,273,056</u>	<u>\$ 42,492,072</u>	<u>\$ 40,869,913</u>	<u>\$ 38,560,996</u>	<u>\$ 36,763,760</u>	<u>\$ 33,122,007</u>
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions:									
Employer	\$ 1,064,842	\$ 1,397,028	\$ 1,386,398	\$ 906,522	\$ 900,018	\$ 977,587	\$ 557,034	\$ 461,469	\$ 452,851
State aid	435,158	402,972	413,602	430,122	393,489	385,413	367,470	313,667	332,556
Employee	256,799	251,418	247,952	235,035	224,774	216,842	212,028	206,057	196,388
Net investment income (loss)	(9,006,230)	6,422,471	5,453,741	6,620,871	(1,814,232)	4,649,607	2,129,739	(226,459)	2,018,264
Other income	3,807	5	-	-	-	-	-	-	-
Benefit payments	(2,202,298)	(1,883,365)	(1,961,782)	(1,830,089)	(2,148,298)	(2,004,433)	(1,735,440)	(1,541,042)	(1,324,161)
Administrative expenses	(160,328)	(154,658)	(130,667)	(126,900)	(90,459)	(107,479)	(60,005)	(119,604)	(26,942)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(9,608,250)	6,435,871	5,409,244	6,235,561	(2,534,708)	4,117,537	1,470,826	(905,912)	1,648,956
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	50,247,646	43,811,775	38,402,531	32,166,970	34,701,678	30,584,141	29,113,315	30,019,227	28,370,271
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 40,639,396</u>	<u>\$ 50,247,646</u>	<u>\$ 43,811,775</u>	<u>\$ 38,402,531</u>	<u>\$ 32,166,970</u>	<u>\$ 34,701,678</u>	<u>\$ 30,584,141</u>	<u>\$ 29,113,315</u>	<u>\$ 30,019,227</u>
TOWNSHIP'S NET PENSION LIABILITY (ASSET)	<u>\$ 10,674,620</u>	<u>\$ (1,280,457)</u>	<u>\$ 1,544,142</u>	<u>\$ 4,870,525</u>	<u>\$ 10,325,102</u>	<u>\$ 6,168,235</u>	<u>\$ 7,976,855</u>	<u>\$ 7,650,445</u>	<u>\$ 3,102,780</u>
Plan fiduciary net position as a percentage of total pension liability	79.20%	102.61%	96.60%	88.74%	75.70%	84.91%	79.31%	79.19%	90.63%
Covered employee payroll	\$ 5,458,970	\$ 5,318,416	\$ 5,332,360	\$ 4,949,116	\$ 4,630,998	\$ 4,742,098	\$ 4,823,120	\$ 4,201,336	\$ 4,282,088
Township's net pension liability as a percentage of covered payroll	195.54%	-24.08%	28.96%	98.41%	222.96%	130.07%	165.39%	182.10%	72.46%
Annual money-weighted rate of return, net of investment expense	-18.14%	14.36%	13.90%	20.24%	-5.46%	14.84%	7.31%	-1.06%	7.22%

**Notes to Schedule:**

Assumption Changes - In 2015, the mortality assumption was changed from Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA, and the interest rate assumption was decreased from 7.50% to 7.25%. In 2021, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2017 using Scale AA to the PubS-2010 projected 5 years past 2021 valuation date using MP 2020.

Benefit Changes - None

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.



**TREDYFFRIN TOWNSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET), INVESTMENT**  
**RETURNS, AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN**

	MEASUREMENT DATE							
	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ 493,538	\$ 439,759	\$ 429,706	\$ 413,533	\$ 394,326	\$ 358,948	\$ 372,362	\$ 381,292
Interest cost	953,077	892,531	874,984	838,005	819,176	812,662	791,782	770,931
Changes of benefits	-	-	-	113,183	-	-	-	-
Change for assumption	-	482,349	-	-	-	416,749	100,190	61,935
Differences between expected and actual experience	-	172,059	-	264,324	-	50,183	-	-
Transfers	-	-	(43,030)	-	-	8,423	1,645	-
Benefit payments	(870,858)	(903,181)	(1,012,862)	(828,724)	(918,290)	(783,937)	(966,169)	(691,388)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>575,757</b>	<b>1,083,517</b>	<b>248,798</b>	<b>800,321</b>	<b>295,212</b>	<b>863,028</b>	<b>299,810</b>	<b>522,770</b>
<b>TOTAL PENSION LIABILITY, BEGINNING OF YEAR</b>	<b>18,090,159</b>	<b>17,006,642</b>	<b>16,757,844</b>	<b>15,957,523</b>	<b>15,662,311</b>	<b>14,799,283</b>	<b>14,499,473</b>	<b>13,976,703</b>
<b>TOTAL PENSION LIABILITY, END OF YEAR</b>	<b><u>\$ 18,665,916</u></b>	<b><u>\$ 18,090,159</u></b>	<b><u>\$ 17,006,642</u></b>	<b><u>\$ 16,757,844</u></b>	<b><u>\$ 15,957,523</u></b>	<b><u>\$ 15,662,311</u></b>	<b><u>\$ 14,799,283</u></b>	<b><u>\$ 14,499,473</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions:								
Employer	\$ 359,183	\$ 328,101	\$ 313,422	\$ 308,645	\$ 311,630	\$ 282,686	\$ 267,307	\$ 202,074
Employee	2,820	2,820	2,800	141,374	135,004	128,660	121,576	118,302
PMRS assessment	155,377	148,848	145,986	2,680	-	-	-	-
Net investment income	928,638	863,171	836,833	800,717	2,411,339	1,263,161	93,536	785,629
Market value investment income	1,710,317	1,952,991	2,149,335	(1,282,252)	-	-	-	-
Transfers	-	-	(43,030)	-	-	8,423	1,645	-
Benefit payments	(870,858)	(903,181)	(1,012,862)	(828,724)	(918,290)	(783,937)	(966,169)	(691,388)
PMRS administrative expense	(2,820)	(2,820)	(2,800)	(2,620)	-	-	-	-
Administrative expenses	(52,596)	(37,608)	(28,927)	(35,733)	(37,179)	(41,373)	(34,260)	(30,937)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>2,230,061</b>	<b>2,352,322</b>	<b>2,360,757</b>	<b>(895,913)</b>	<b>1,902,504</b>	<b>857,620</b>	<b>(516,365)</b>	<b>383,680</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR</b>	<b>19,909,785</b>	<b>17,557,463</b>	<b>15,196,706</b>	<b>16,092,619</b>	<b>14,190,115</b>	<b>13,332,495</b>	<b>13,848,860</b>	<b>13,465,180</b>
<b>PLAN FIDUCIARY NET POSITION, END OF YEAR</b>	<b><u>\$ 22,139,846</u></b>	<b><u>\$ 19,909,785</u></b>	<b><u>\$ 17,557,463</u></b>	<b><u>\$ 15,196,706</u></b>	<b><u>\$ 16,092,619</u></b>	<b><u>\$ 14,190,115</u></b>	<b><u>\$ 13,332,495</u></b>	<b><u>\$ 13,848,860</u></b>
<b>TOWNSHIP'S NET PENSION LIABILITY (ASSET)</b>	<b><u>\$ (3,473,930)</u></b>	<b><u>\$ (1,819,626)</u></b>	<b><u>\$ (550,821)</u></b>	<b><u>\$ 1,561,138</u></b>	<b><u>\$ (135,096)</u></b>	<b><u>\$ 1,472,196</u></b>	<b><u>\$ 1,466,788</u></b>	<b><u>\$ 650,613</u></b>
Plan fiduciary net position as a percentage of total pension liability	118.61%	110.06%	103.24%	90.68%	100.85%	90.60%	90.09%	95.51%
Covered employee payroll	\$ 3,884,445	\$ 3,721,194	\$ 3,636,128	\$ 3,539,484	\$ 3,375,092	\$ 3,244,548	\$ 3,067,556	\$ 3,167,709
Township's net pension liability (asset) as a percentage of covered payroll	-89.43%	-48.90%	-15.15%	44.11%	-4.00%	45.37%	47.82%	20.54%
Annual money-weighted rate of return, net of investment expense	4.92%	5.55%	4.50%	5.25%	-5.46%	5.80%	5.90%	6.20%

**Notes to Schedule:**

Assumption Changes - In 2015, the mortality assumption was changed from Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

**TREDYFFRIN TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS**

Year	Plan	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2014	Police	\$ 785,407	\$ 785,407	\$ -	\$ 4,282,088	18.34%
	Non-Uniformed	201,874	202,074	(200)	3,167,709	6.38%
2015	Police	775,136	775,136	-	4,201,336	18.45%
	Non-Uniformed	263,283	267,307	(4,024)	3,067,556	8.71%
2016	Police	924,504	924,504	-	4,823,120	19.17%
	Non-Uniformed	282,566	282,686	(120)	3,244,548	8.71%
2017	Police	913,000	1,363,000	(450,000)	4,742,098	28.74%
	Non-Uniformed	311,485	311,630	(145)	3,375,092	9.23%
2018	Police	1,293,507	1,293,507	-	4,630,998	27.93%
	Non-Uniformed	311,265	311,325	(60)	3,539,484	8.80%
2019	Police	1,336,644	1,336,644	-	4,949,116	27.01%
	Non-Uniformed	316,082	316,222	(140)	3,636,128	8.70%
2020	Police	1,753,782	1,800,000	(46,218)	5,332,380	33.76%
	Non-Uniformed	330,841	330,921	(80)	3,721,194	8.89%
2021	Police	1,751,735	1,800,000	(48,265)	5,318,416	33.84%
	Non-Uniformed	361,903	362,003	(100)	3,884,445	9.32%
2022	Police	1,486,008	1,500,000	(13,992)	5,458,970	27.48%
	Non-Uniformed	*	*	*	*	*

\* Not available due to measurement date of the Non-Uniformed Plan, which is December 31, 2021.

**Notes to Schedule:**

*Methods and Assumptions Used to Determine Contribution Rates:*

	Police	Non-Uniformed
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar	Level dollar
Remaining amortization period	5 Years	11 years
Asset valuation method	Market value	Based upon the municipal reserves
Inflation	2.25%	2.80%
Salary increases	5.00%	Age related scale with merit and inflation component
Investment rate of return	7.25%	5.25%
Retirement age	Normal retirement age	Normal retirement age
Mortality	Blue Collar RP-2000 Mortality table projected using Scale AA	Pre-retirement mortality: Males - RP 2000 with one-year setback, Females - RP 2000 with 5-year setback

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2022 is based upon the January 1, 2020 actuarial valuation.

**General**

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

**TREDYFFRIN TOWNSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY, INVESTMENT RETURNS, AND RELATED RATIOS**

	MEASUREMENT DATE				
	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 459,602	\$ 437,734	\$ 395,563	\$ 376,726	\$ 455,883
Interest cost	2,206,429	2,143,316	1,908,422	1,861,262	1,998,782
Change of benefit terms	-	104,130	-	-	-
Change for experience	-	1,165,190	-	(1,608,439)	-
Change for assumption	-	3,053,490	-	(1,159,857)	-
Benefit payments	(1,662,523)	(1,697,906)	(1,616,026)	(1,596,676)	(1,861,408)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>1,003,508</b>	<b>5,205,954</b>	<b>687,959</b>	<b>(2,126,984)</b>	<b>593,257</b>
<b>TOTAL OPEB LIABILITY, BEGINNING OF YEAR</b>	<b>32,629,416</b>	<b>27,423,462</b>	<b>26,735,503</b>	<b>28,862,487</b>	<b>28,269,230</b>
<b>TOTAL OPEB LIABILITY, END OF YEAR</b>	<b>\$ 33,632,924</b>	<b>\$ 32,629,416</b>	<b>\$ 27,423,462</b>	<b>\$ 26,735,503</b>	<b>\$ 28,862,487</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions:					
Employer	\$ 875,000	\$ 875,000	\$ 900,000	\$ 875,000	\$ 725,000
Net investment income (loss)	(2,116,420)	1,408,692	1,161,323	1,353,716	(395,309)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>(1,241,420)</b>	<b>2,283,692</b>	<b>2,061,323</b>	<b>2,228,716</b>	<b>329,691</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR</b>	<b>12,735,804</b>	<b>10,452,112</b>	<b>8,390,789</b>	<b>6,162,073</b>	<b>5,832,382</b>
<b>PLAN FIDUCIARY NET POSITION, END OF YEAR</b>	<b>\$ 11,494,384</b>	<b>\$ 12,735,804</b>	<b>\$ 10,452,112</b>	<b>\$ 8,390,789</b>	<b>\$ 6,162,073</b>
<b>TOWNSHIP'S NET OPEB LIABILITY</b>	<b>\$ 22,138,540</b>	<b>\$ 19,893,612</b>	<b>\$ 16,971,350</b>	<b>\$ 18,344,714</b>	<b>\$ 22,700,414</b>
Plan fiduciary net position as a percentage of total OPEB liability	34.18%	39.03%	38.11%	31.38%	21.35%
Covered employee payroll	\$ 5,737,985	\$ 5,464,748	\$ 6,325,127	\$ 6,023,930	\$ 5,430,691
Township's net OPEB liability as a percentage of covered payroll	385.82%	364.04%	268.32%	304.53%	418.00%
Annual money-weighted rate of return, net of investment expense	-16.10%	12.90%	13.50%	21.20%	-6.62%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

**TREDYFFRIN TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS**

<u>Year</u>	<u>Actuarial Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Payroll</u>
2018	\$ -	\$ 725,000	\$ (725,000)	\$ 5,430,691	13.35%
2019	-	875,000	(875,000)	6,023,930	14.53%
2020	-	900,000	(900,000)	6,325,127	14.23%
2021	-	875,000	(875,000)	5,464,748	16.01%
2022	-	875,000	(875,000)	5,737,985	15.25%

**General**

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

## **SUPPLEMENTARY INFORMATION**

**TREDYFFRIN TOWNSHIP  
SUPPLEMENTARY INFORMATION  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Liquid Fuels Fund	Environmental Resources Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 273,253	\$ 6,798	\$ 280,051
TOTAL ASSETS	<u>273,253</u>	<u>6,798</u>	<u>280,051</u>
LIABILITIES			
Accounts payable	-	483	483
Due to other funds	<u>-</u>	<u>2,052</u>	<u>2,052</u>
TOTAL LIABILITIES	<u>-</u>	<u>2,535</u>	<u>2,535</u>
FUND BALANCES			
Restricted	<u>273,253</u>	<u>4,263</u>	<u>277,516</u>
TOTAL FUND BALANCES	<u><u>\$ 273,253</u></u>	<u><u>\$ 4,263</u></u>	<u><u>\$ 277,516</u></u>

**TREDYFFRIN TOWNSHIP  
SUPPLEMENTARY INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Liquid Fuels Fund	Environmental Resources Fund	Totals
REVENUES			
Interest, dividends, and rents	\$ 13,818	\$ 118	\$ 13,936
Intergovernmental revenues	888,821	-	888,821
Miscellaneous income	-	8,754	8,754
TOTAL REVENUES	<u>902,639</u>	<u>8,872</u>	<u>911,511</u>
EXPENDITURES			
General government	-	9,708	9,708
TOTAL EXPENDITURES	<u>-</u>	<u>9,708</u>	<u>9,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>902,639</u>	<u>(836)</u>	<u>901,803</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,057,297)	-	(1,057,297)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,057,297)</u>	<u>-</u>	<u>(1,057,297)</u>
NET CHANGES IN FUND BALANCES	(154,658)	(836)	(155,494)
FUND BALANCES, BEGINNING OF YEAR	<u>427,911</u>	<u>5,099</u>	<u>433,010</u>
FUND BALANCES, END OF YEAR	<u>\$ 273,253</u>	<u>\$ 4,263</u>	<u>\$ 277,516</u>

## OTHER REPORT





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

July 12, 2023

Board of Supervisors  
Tredyffrin Township  
Berwyn, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin Township (the Township), Berwyn, Pennsylvania, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 12, 2023.

Report on Internal Control Over Financial Reporting

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

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

Board of Supervisors  
Tredyffrin Township

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### Report on Compliance and Other Matters

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

#### Purpose of This Report

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

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP