



Upper Darby Township Upper Darby, Pennsylvania Delaware County

Financial Statements
Year Ended December 31, 2022



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Philadelphia, PA 19103

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UPPER DARBY TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

**Honorable Township Mayor
and Members of Council
Upper Darby Township
Upper Darby, Pennsylvania**

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Darby Township, Upper Darby, Pennsylvania as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Upper Darby Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Darby Township, Upper Darby, Pennsylvania as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Upper Darby Township Sellers Memorial Free Public Library and the Municipal Employees Pension Plan, which represent 97% of the assets, net position and revenues of the discretely presented component units and 33% of the assets and net position and 37% of the revenues of the pension trust funds, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units and the aggregate remaining fund information, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Upper Darby Township Sellers Memorial Free Public Library and Municipal Employees Pension Plan were not audited in accordance with *Government Auditing Standards*. 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 Upper Darby Township, Upper Darby, Pennsylvania, 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.

Change in Accounting Principle

As described in Notes 1 and 13 to the financial statements, Upper Darby Township adopted new accounting guidance, GASB Statement No. 87, "Leases". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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 Upper Darby Township, Upper Darby, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, the budgetary comparison schedules, the schedules of changes in net pension liabilities, the schedules of pension contributions, the schedules of pension investment returns and the schedule of changes in the post-employment benefits liability on pages 51 through 65, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Upper Darby Township's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information in the financial statements. The other information does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024 on our consideration of Upper Darby 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 Upper Darby Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Darby Township's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
February 8, 2024**

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Management's discussion and analysis ("**MD&A**") of the financial performance of Upper Darby Township, Upper Darby, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

The Township was established in 1736 and is governed by a Mayor and an eleven-member Council pursuant to the Home Rule and Optional Plans Government Law. The Township is located in Delaware County, Pennsylvania, adjacent to the City of Philadelphia and is the sixth largest municipality in the state of Pennsylvania. The Township encompasses 7.8 square miles and has a population of approximately 85,000 residents. The Township provides the following services: general government; public safety – police, fire, codes and planning and zoning; public works – highways and street, sanitation and sewer, parking; culture and recreation – parks, libraries, senior citizens' centers and community development and housing.

The Township has certain of the traits of an urban center as well as those of a residential suburb. The 69th street area is a major commercial and transportation center providing a gateway to Delaware County. The residential character of the Township is evidenced by the surrounding communities.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities, the liabilities and deferred inflows of resources of the Township exceeded assets and deferred outflows of resources resulting in total deficit in net position at the close of the 2022 fiscal year of \$336,913,185. During the 2022 fiscal year, the Township had an increase in total net position of governmental activities of \$10,292,968.
- As of the close of the 2022 fiscal year, the Township's governmental funds reported combined ending fund balances of \$17,379,736, an increase of \$5,658,611 in comparison with the prior year.
- The General Fund reported an increase in fund balance of \$4,722,639, bringing the cumulative balance to \$4,881,170 or 5.85% of total General Fund expenditures and other financing uses at the conclusion of the 2022 fiscal year.
- General Fund revenues and other financing sources were \$12,378,566 or 16.32% more than budgeted amounts and General Fund expenditures and other financing uses were \$6,022,848 or 7.77% more than budgeted amounts resulting in a net positive variance of \$6,355,718.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position (Deficit) presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Township is improving or deteriorating. To assess the Township's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Township's tax base and the condition of the Township's assets.

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The Statement of Activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the Township's activities are presented within one category.

Governmental Activities

Most of the Township's basic services are included here, such as general administration, public safety, public works, culture and recreation and community development.

Discretely Presented Component Units

The Township includes separate legal entities in its report, the Upper Darby Township Sellers Memorial Free Public Library (the "**Library**") and the Upper Darby Township Weed and Seed, Inc. Although legally separate, these component units are important because the Township is financially accountable for them. Separate audited financial statements are issued and available for the Library.

The government-wide financial statements can be found on pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the Township's basic services are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains nine individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds for each of the five major funds and the nonmajor governmental funds.

The Township adopts an annual appropriated budget for its General, Sewer, Debt Service and Highway Aid Funds. A budgetary comparison schedule has been provided for the General, Sewer, Debt Service and Highway Aid Funds to demonstrate compliance with the budget.

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The governmental fund financial statements can be found on pages 18 through 21 of this report.

Fiduciary Funds

The Township is the trustee, or fiduciary, for its Police Pension Plan, Municipal Employees Pension Plan and Firefighters Pension Plan. Fiduciary funds are not reflected in the government-wide 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 for their intended purposes.

The fiduciary fund financial statements can be found on pages 22 and 23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 24 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedules, schedules concerning the Township's net pension liabilities, pension contributions and pension investment returns and changes in its other post-employment benefits liability, as well as additional analysis which consists of combining and individual fund financial statements and supplemental tax data.

The required supplementary information and additional analysis can be found on pages 51 through 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2022 fiscal year the Township's liabilities and deferred inflows exceeded assets and deferred outflows by \$336,913,185. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the Township at December 31, 2022 and 2021.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets	\$ 68,859,400	\$ 45,284,610
Noncurrent assets	<u>40,060,118</u>	<u>32,499,641</u>
Total assets	<u>108,919,518</u>	<u>77,784,251</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>94,600,820</u>	<u>81,899,916</u>
LIABILITIES		
Current liabilities	42,426,915	25,424,769
Noncurrent liabilities	<u>308,033,497</u>	<u>356,827,661</u>
Total liabilities	<u>350,460,412</u>	<u>382,252,430</u>
DEFERRED INFLOWS OF RESOURCES	<u>189,973,111</u>	<u>124,747,339</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	18,350,971	16,533,146
Restricted	8,432,064	3,174,933
Unrestricted (deficit)	<u>(363,696,220)</u>	<u>(367,023,681)</u>
Total net position (deficit)	<u>\$(336,913,185)</u>	<u>\$(347,315,602)</u>

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The Township's total assets as of December 31, 2022 were \$108,919,518 of which \$56,348,323 or 51.73% consisted of cash and equivalents and investments and \$40,060,118 or 36.78% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2022 were \$350,460,412 of which \$22,652,379 or 6.46% consisted of general obligation debt used to acquire and construct capital assets, \$69,734,896 or 19.90% consists of the actuarially determined net pension liability and \$209,201,892 or 59.69% consists of the actuarially determined liability for other post-employment benefits.

The Township had a deficit in unrestricted net position of \$363,696,220 at December 31, 2022. The Township's unrestricted net position increased by \$3,327,461 during 2022 primarily due to the current year results from operations.

A portion of the Township's net position reflects its restricted net position which totaled \$8,432,064 as of December 31, 2022. All of the Township's restricted net position relate to the net position of the Township's Debt Service Fund, Sewer Fund and Highway Aid Fund which have external constraints imposed by grantors, contributors, or enabling legislation.

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. 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. For the year ended December 31, 2022, the Township's net investment in capital assets increased by \$1,817,825 primarily because capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the Township for 2022 and 2021:

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
Program revenues		
Charges for services	\$ 25,650,379	\$ 20,550,046
Operating grants and contributions	16,756,979	6,310,949
Capital grants and contributions	924,821	-
General revenues		
Real estate taxes	56,176,979	55,510,123
Local enabling taxes	6,216,922	2,942,401
Franchise fees	1,176,734	1,223,529
Investment earnings	1,036,481	38,259
Total revenues	<u>107,939,295</u>	<u>86,575,307</u>
EXPENSES		
General government	7,458,660	7,242,443
Public safety	54,284,987	47,991,476
Health and human services	688,446	669,795
Public works	28,189,090	27,160,776
Culture and recreation	3,628,228	4,195,954
Community development	2,857,482	3,684,229
Interest and amortization expense related to noncurrent liabilities	<u>539,434</u>	<u>722,320</u>
Total expenses	<u>97,646,327</u>	<u>91,666,993</u>

UPPER DARBY TOWNSHIP

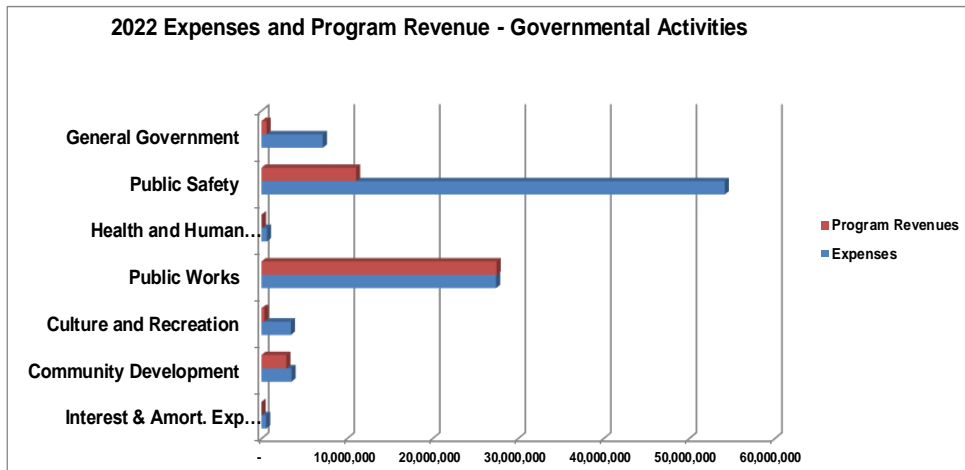
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

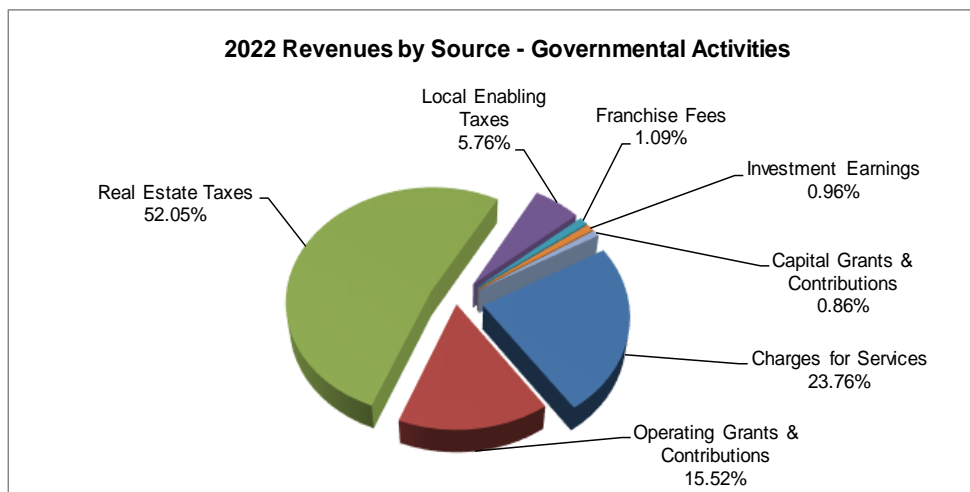
CHANGE IN NET POSITION (DEFICIT)	10,292,968	(5,091,686)
NET POSITION (DEFICIT)		
Beginning of year	<u>(347,206,153)</u>	<u>(342,114,467)</u>
End of year	<u>\$(336,913,185)</u>	<u>\$(347,206,153)</u>

Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Township continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

The *Statement of Activities* provides detail that focuses on how the Township finances its services. The *Statement of Activities* compares the costs of the Township functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the Township's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the Township's functions or programs cost more than they raise, the Statement of Activities shows how the Township chose to finance the difference through general revenues. The following chart shows that the Township relies predominantly on tax revenues to finance its governmental activities. Two-thirds of the taxes are property based. These are limited by county dictated assessment rates and the almost fully built out nature of the Township.



UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

GOVERNMENTAL FUNDS

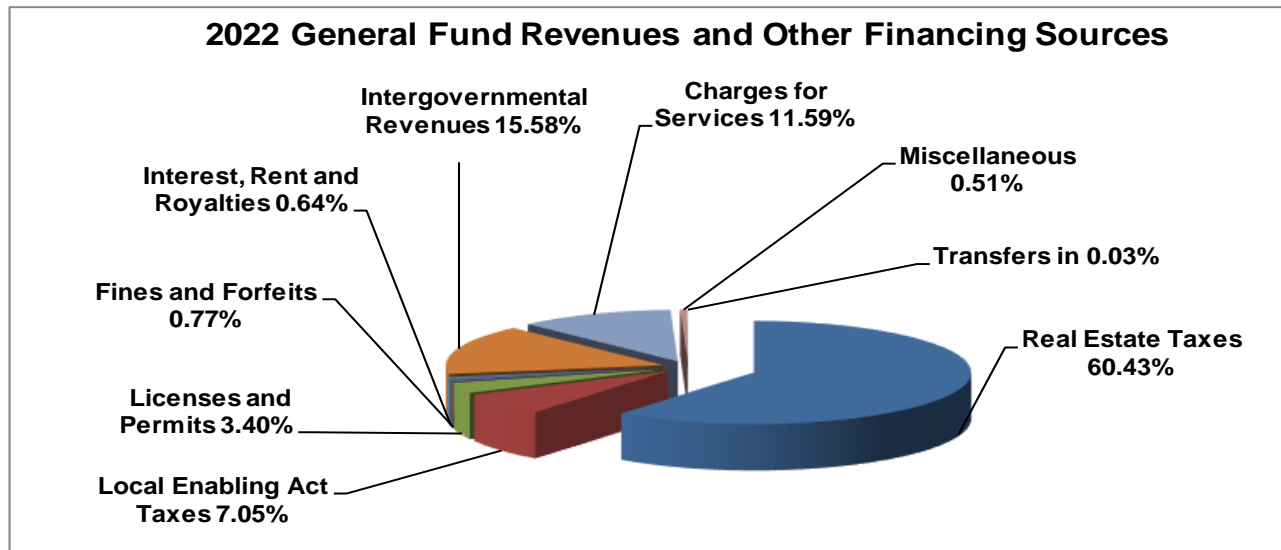
The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2022, the Township's governmental funds reported a combined fund balance of \$17,379,736 which is an increase of \$5,658,611 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>
General Fund	\$ 4,881,170	\$ 158,531	\$ 4,722,639
Capital Projects Fund	3,540,955	7,278,707	(3,737,752)
Debt Service Fund	2,507,336	1,380,209	1,127,127
ARPA Fund	525,547	-	525,547
Sewer Fund	3,863,591	1,377,019	2,486,572
Nonmajor Governmental Funds	<u>2,061,137</u>	<u>1,526,659</u>	<u>534,478</u>
	<u>\$17,379,736</u>	<u>\$11,721,125</u>	<u>\$ 5,658,611</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2022 fiscal year the General Fund fund balance was \$4,881,170 representing an increase of \$4,722,639 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022 fiscal year.

The Township's reliance upon real estate tax revenues is demonstrated by the graph below that indicates 60.56% of General Fund revenues are derived from local taxes.



UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate taxes	\$53,312,273	\$53,238,627	\$ 73,646	0.14
Local enabling act taxes	6,216,922	2,921,276	3,295,646	112.82
Licenses and permits	2,997,429	3,152,625	(155,196)	(4.92)
Fines and forfeits	680,898	595,960	84,938	14.25
Interest, rent and royalties	564,669	192,866	371,803	192.78
Intergovernmental revenues	13,749,678	6,852,770	6,896,908	100.64
Charges for services	10,227,266	8,049,115	2,178,151	27.06
Miscellaneous	450,861	1,350,016	(899,158)	(66.60)
Proceeds from short-term debt	-	5,000,000	(5,000,000)	(100.00)
Transfers in	<u>24,671</u>	<u>2,592,694</u>	<u>(2,568,023)</u>	<u>(99.05)</u>
	<u>\$88,224,667</u>	<u>\$83,945,949</u>	<u>\$ 4,278,718</u>	<u>5.10</u>

Local enabling act taxes increased by \$3,295,646 or 112.82% primarily due to the enactment of real estate transfer tax in 2022.

Intergovernmental revenues increased by \$6,896,908 or 100.64% as a direct result of the recognition of \$6,000,000 of funding through the American Rescue Plan Act ("**ARPA**") as part of the grant's standard allowance for revenue loss.

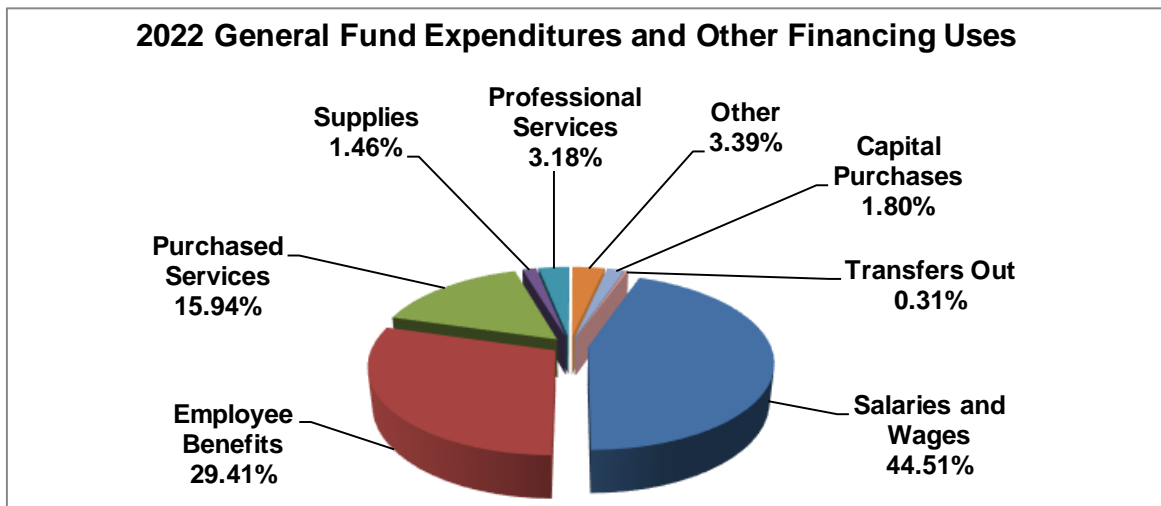
Charges for services increased by \$2,178,151 or 27.06% due to an increase in rates and current and delinquent and trash fee collections in 2022 compared to 2021.

Interest rent and royalties increased commensurate with an increase in interest rates.

During 2021, the Township issued a tax revenue anticipation note in the amount of \$5,000,000 to subsidize operations in anticipation of future tax revenues.

Transfers in 2021 represent a transfer from the Sewer Rental Fund to reimburse the General Fund for overhead.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The Township is a service entity and as such is labor intensive.



UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$37,166,384	\$35,657,662	\$ 1,508,722	4.23
Employee benefits	24,557,231	27,296,462	(2,739,231)	(10.04)
Purchased services	13,310,058	13,080,841	229,217	1.75
Supplies	1,224,054	1,063,044	161,010	15.15
Professional services	2,656,753	1,321,054	1,335,699	101.11
Other	2,828,254	2,489,394	338,860	13.60
Capital purchases	1,502,056	98,398	1,403,658	1426.51
Debt service	-	5,038,778	(5,038,778)	(100.00)
Transfers out	<u>257,238</u>	<u>-</u>	<u>257,238</u>	<u>100.00</u>
	<u>\$83,502,028</u>	<u>\$86,045,633</u>	<u>\$(2,543,605)</u>	<u>(2.96)</u>

Salaries and wages increased by \$1,508,722 or 4.23% due to annual contractual increases and promotions and prior year retro-pay for both the police and firefighter unions as a result of contract settlements that occurred in 2022.

Employee benefits decreased by \$2,739,231 or 10.04% as a direct result of a two-month premium holiday for the Township's health insurance through its participation in a consortium with other governmental agencies.

Professional services increased by \$1,335,699 or 101.11% primarily due to increases in legal fees in part due to labor negotiations and pre-development costs for a new community center.

Capital purchases increased by \$1,403,657 or 1426.51% due to road paving projects and the purchase of trash trucks through a grant with the Pennsylvania Department of Environmental Protection.

During 2021, the Township issued a tax revenue anticipation note in the amount of \$5,000,000 that was repaid with interest.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for financial resources committed to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Projects Fund is primarily funded through the issuance of general obligation debt and transfers from the General Fund. During 2022, the Capital Projects Fund fund balance decreased by \$3,737,752 for a cumulative balance of \$3,540,955 as of December 31, 2022 which is restricted for future capital purchases.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the Township's outstanding general obligation debt. Real estate taxes are levied during the year to finance debt service payments as they become due. As of December 31, 2022, the Debt Service Fund reported a fund balance of \$2,507,336 which is an increase of \$1,127,127 from the prior year. This was due to current year real estate tax revenue in excess of debt service maturities.

ARPA FUND

The ARPA Fund accounts for the Township's appropriation through the American Rescue Plan Act totaling \$41,761,940. During 2022, the ARPA Fund fund balance increased by \$525,547 representing interest earned and the fund balance as of December 31, 2022. ARPA appropriations are deferred and recognized as revenue when the related expenditures are incurred. During 2022, the Township's deferred appropriation increased by \$12,973,820 and totaled \$33,854,789 as of December 31, 2022. The increase represents the excess of the second tranche of funding in the amount of \$20,880,970 less amounts recognized for \$6,000,000 as part of the grant's provision for standard allowance for revenue loss and \$1,907,150 in expenditures for premium pay to Township employees.

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

SEWER FUND

The Sewer Fund accounts for financial resources restricted to be used to account for the operation of a wastewater collection and treatment system for Township residents and surrounding communities. The Sewer Fund is funded through an annual assessment to Township residents and participating municipalities. During 2022, the Sewer Fund fund balance increased by \$2,486,573 for a cumulative balance of \$3,863,591 as of December 31, 2022 which is restricted for future operations. The current year increase in fund balance can be attributed to better than anticipated current and delinquent assessment collections.

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue funds. Special revenue funds are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes. The nonmajor special revenue funds include the Highway Aid Fund, the Sewer Capital Fund, the Community Development Grants Fund, and the Upper Darby Football Bowl Fund. The Highway Aid Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects. During 2022, the Highway Aid Fund fund balance increased by \$266,413 for a cumulative balance of \$2,061,137 as of December 31, 2022. More detailed information regarding the nonmajor governmental funds can be found in the combining and individual fund financial statements on pages 66 and 67.

GENERAL FUND BUDGET INFORMATION

The Township maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Township budgets and expends funds according to procedures mandated by its Home Rule Charter. An annual operating budget is prepared by management and submitted to the Township Council for approval prior to the beginning of the fiscal year on January 1. The most significant budgeted fund is the General Fund.

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on pages 51 and 52. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

General Fund revenues and other financing sources were \$12,378,566 or 16.32% more than budgeted amounts and General Fund expenditures and other financing uses were \$6,022,848 or 7.77% more than budgeted amounts resulting in a net positive variance of \$6,355,718. Major budget highlights for 2022 were as follows:

Real estate transfer tax collections were \$2,171,826 more than budgeted amounts due to the enactment of this tax in 2022.

Intergovernmental revenues were \$7,488,163 more than budgeted amounts primarily due to the unbudgeted recognition of \$6,000,000 of ARPA funding as part of the grant's standard allowance for revenue loss and more than anticipated grant revenue totaling \$739,261 under the Township's contract with the U.S. Department of Housing and Urban Development ("**HUD**").

Charges for service were \$1,830,135 more than budgeted amounts as a result of more than anticipated revenue for current and delinquent solid waste fees totaling \$1,454,749.

Police expenditures were \$2,462,008 more than budgeted amounts due to the approval of a new collective bargaining agreement that included retroactive pay that was not budgeted and more than anticipated overtime costs.

Fire expenditures were \$552,084 more than budgeted amounts due to the approval of a new collective bargaining agreement that included retroactive pay that was not budgeted and more than anticipated overtime costs.

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Solid waste collection and disposal expenditures were \$880,064 more than budgeted amounts primarily due to the purchase of five new trucks that were funded with a grant through the Pennsylvania Department of Environmental Protection.

Expenditures for general services for public works highways and streets were \$466,469 more than budget due to the more than anticipated costs for salaries and wages and other purchased services and supplies that were impacted by inflationary increases in particular gas and oil.

Maintenance and repairs of roads and bridges expenditures were \$680,233 more than budget due to urgently needed major infrastructure and the opportunity to align with programs in place by third parties for the Township's 2022 paving program.

Culture and recreation - administration expenditures were \$496,940 less than budgeted amounts due to less than anticipated activities during 2022.

Community development and housing expenditures were \$772,300 more than budgeted amounts due to more than anticipated expenditures through the Township's contract with HUD consistent with the more budgeted revenues received under this reimbursement contract.

Other community development expenditures were \$713,451 more than budgeted amounts primarily due to expenditures in the amount of \$654,189 for pre-development costs for a new community center within the Township. Certain of these costs will be used for the Redevelopment Assistance Capital Program grant ("**RACP**").

CAPITAL ASSETS

The Township's investment in capital assets for its governmental activities as of December 31, 2022 amounted to \$40,060,118, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment, vehicles and right-to-use lease assets. The total net increase in the Township's investment in capital assets for 2022 was \$6,618,754 or 19.79%. The increase was the result of current year capital additions in excess of depreciation and the net book value of disposed of capital assets.

Current year capital additions were \$9,547,656, depreciation expense was \$2,889,996 and the net book value of capital assets was \$38,906.

Major capital additions for the current fiscal year included the following:

Paving projects	\$1,274,212
5039 Township Line Road – right-to-use lease	\$1,382,933
1560 Garretty Road – right-to-use lease	\$1,039,545
One Center renovations	\$ 542,183
Municipal Center and Watkins Senior Center – roofing projects	\$ 638,491
5 Freightliner trash trucks	\$ 943,742
2 nd ward playground – construction in progress	\$ 670,255
Community center – construction in progress	\$ 655,091

NONCURRENT LIABILITIES

As of December 31, 2022, the Township had total general obligation debt of \$22,652,379 consisting of \$21,905,000 in bonds payable and \$747,379 in bond premiums. The entire amount is backed by the full faith and credit of the Township. General obligation debt was primarily issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net decrease in the Township's general obligation debt for the current fiscal year was \$936,259 or 3.97%.

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The Township reports its defined benefit unfunded net pension liability related to its three pension plans and its liability for post-employment benefits on its Statement of Net Position (Deficit). The Township's unfunded net pension liability and net liability for postemployment benefits are actuarially determined liabilities and totaled \$69,734,896 and \$209,201,892, respectively, as of December 31, 2022. The net pension liability increased by \$52,319,555 or 300.42% due to negative market performance while the post-employment benefits liability decreased by \$103,256,480 or 33.05% due to positive changes in actuarial assumptions during the current year.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and leases payable which totaled \$6,444,330 as of December 31, 2022. These liabilities increased by \$2,355,276 or 57.60% due to two extensions on leased properties for the police during the current year.

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

According to the 2020 U.S. Census, the Township has a population of 85,681. Its population makes it one of the largest municipalities in the Commonwealth. The Township owns 128 miles of roads, 8 vehicular bridges and 11 pedestrian bridges, and three municipal buildings. The Township government is also responsible for providing public safety coverage, residential refuse collection, street, park and sewer maintenance, and code and parking enforcement.

The Township is home to successful businesses of different sizes, types, and customer bases that provide employment opportunities; shopping, dining, and entertainment experiences; and economic activity. The Township sits seven miles from Philadelphia International Airport and the 30th Street Amtrak Station. Multi-modal transportation connections are a competitive advantage for Upper Darby, where residents and commuters use the road networks, trains, trolleys and buses for leisure and business.

Like many Pennsylvania municipalities, the Township has a structural deficit where recurring expenditures grow faster than recurring revenues. The General Fund is the primary means for funding police, fire, and most daily services other than those for sewer and road maintenance. The Township uses a Debt Service Fund to receive a portion of its real estate tax revenue and then make annual payments for its debt service. The Township depends heavily on real estate tax revenue to fund its daily operations and cover its scheduled debt maturities. While it is not unusual for a Pennsylvania municipality to receive a large portion of revenue from the real estate tax, the Township is more reliant on this source of revenue than other large municipalities because the Township does not currently levy a wage or earned income tax ("*EIT*") on its residents or commuters who work in the Township. This tax is being considered for the near future.

The Township adopted a 2023 General Fund budget totaling \$82,048,821 with a budgeted surplus of \$1,224,432 and the real estate tax millage was increased from 13.14 mills to 13.49 mills or 2.66%. In addition, the sewer fee was increased by \$15 and the trash fee was increased by \$20.

The Township has adopted a balanced 2024 General Fund budget totaling \$88,780,063, the real estate tax millage rate for general and sinking fund purposes is proposed to increase from 13.49 mills to 14.02 mills and includes the use of ARPA funding in the amount of \$810,000 for revenue replacement and unrestricted interest earned on ARPA funding totaling approximately \$2.5 million. The sewer fee is proposed to increase by \$15 due to anticipated increases in sewer authority payments and necessary repairs and capital improvements for the Township-owned sewer systems. The trash fee is proposed to increase by \$15 due to increasing waste disposal and personnel costs.

The Township continues to evaluate capital needs associated with its aging infrastructure and is considering additional bond financing in late 2024 or 2025.

The Township received a \$41.70 million appropriation as part of the American Rescue Plan Act ("*ARPA*"). The Township used a total of \$8.5 million in 2022 and 2023 for operations under the revenue loss provision of ARPA and the remaining ARPA funds have been allocated to investments in police, fire, public works, leisure services and community development.

UPPER DARBY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

There are presently 391 full-time employees in the Township. Employees are represented by four unions, as follows: 133 employees are members of the Fraternal Order of Police ("**FOP**"), 58 employees are members of the International Association of Firefighters ("**IAFF**"), 112 employees are members of the Transport Workers Union ("**TWU**") and 58 employees are members of the Office and Professional Employees International Union ("**OPEIU**"). The OPEIU, FOP and TWU collective bargaining agreements expire December 31, 2024 and the IAFF collective bargaining agreement expires on December 31, 2025. In addition, there are 24 non-bargaining employees, not including the Mayor, Treasurer and 11 Council members. With many labor-intensive services like police patrol, fire suppression, public works, and code enforcement, personnel expenditures account for most of the Township's budget.

With the implementation of a new financial administration system, continuing review of accounting and business processes, and a recently completed five-year financial management plan (created with PFM Group Consulting, LLC and funded by a grant from the Pennsylvania Department of Community and Economic Development) the Township is well on its way to implementing a solid roadmap toward economic stability.

Looking ahead to 2024, the Township will implement several initiatives to provide a stable economic future, including enact online payments for real estate tax, sewer and trash; conduct a study with an experienced third party to ensure sewer and trash fees cover expenses; implement a new approach to grants management with focus on return on investment given financial match requirements and costs to administrate; evaluate the health care contracts for employees and retirees and the options available; centralize a procurement and contract management process to achieve efficiencies and cost-savings; assess capital needs and possible funding sources; and, ensure the Township's credit rating is reinstated as soon as possible.

The Township is committed to a clean, safe, and engaging the Township for residents, businesses, and visitors and to identifying new and significant sources of revenue that will support these goals. The Township will seek partners in the private sector, community organizations, and other levels of government who can help advance these goals and the mission of overall fiscal strength and sustainability of the Township.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Administrative Officer, Upper Darby Township, 100 Garrett Road, Upper Darby, PA 19082.

UPPER DARBY TOWNSHIP

STATEMENT OF NET POSITION (DEFICIT)

December 31, 2022

	Primary Government Governmental Activities	Component Units	
		Upper Darby Township Sellers Memorial Free Public Library	Upper Darby Township Weed and Seed, Inc.
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and equivalents	\$ 55,322,652	\$ 545,358	\$ 40,157
Investments	1,025,671	39,427	-
Receivables			
Real estate taxes	3,049,850	-	-
Sewer assessments	4,361,284	-	-
Trash	2,465,307	-	-
Other	1,065,963	-	-
Due from other governments	1,449,018	-	8,310
Prepaid expenses	119,655	59,544	-
Total current assets	68,859,400	644,329	48,467
NONCURRENT ASSETS			
Capital assets, net	40,060,118	1,103,008	-
Total assets	108,919,518	1,747,337	48,467
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	323,234	-	-
Deferred charges - OPEB	56,824,363	-	-
Deferred charges - pensions	37,453,223	-	-
Total deferred outflows of resources	94,600,820	-	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	2,771,682	61,047	957
Accrued salaries, payroll withholdings and benefits	2,494,163	33,382	-
Other liabilities	3,306,281	-	-
Unearned revenues	33,854,789	-	-
Total current liabilities	42,426,915	94,429	957
NONCURRENT LIABILITIES			
Due within one year	1,993,004	61,310	-
Due in more than one year	306,040,493	-	-
Total noncurrent liabilities	308,033,497	61,310	-
Total liabilities	350,460,412	155,739	957
DEFERRED INFLOWS OF RESOURCES			
Deferred credits - OPEB	184,269,167	-	-
Deferred credits - pensions	5,703,944	-	-
Total deferred inflows of resources	189,973,111	-	-
NET POSITION (DEFICIT)			
Net investment in capital assets	18,350,971	1,103,008	-
Restricted	8,432,064	-	-
Unrestricted (deficit)	(363,696,220)	488,590	47,510
Total net position (deficit)	\$ (336,913,185)	\$ 1,591,598	\$ 47,510

See accompanying notes

UPPER DARBY TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>	
						<u>Upper Darby Township Sellers Memorial Free Public Library</u>	<u>Upper Darby Township Weed and Seed, Inc.</u>
GOVERNMENTAL ACTIVITIES							
General government	\$ 7,458,660	\$ 36,589	\$ 553,304	\$ -	\$ (6,868,767)	\$ -	\$ -
Public safety	54,284,987	3,318,336	7,726,950	-	(43,239,701)	-	-
Health and human services	688,446	-	48,278	-	(640,168)	-	-
Public works	28,189,090	22,217,202	5,265,115	735,000	28,227	-	-
Culture and recreation	3,628,228	78,252	263,300	189,821	(3,096,855)	-	-
Community development	2,857,482	-	2,900,032	-	42,550	-	-
Interest and amortization expense related to noncurrent liabilities	539,434	-	-	-	(539,434)	-	-
Total governmental activities	<u>97,646,327</u>	<u>25,650,379</u>	<u>16,756,979</u>	<u>924,821</u>	<u>(54,314,148)</u>	<u>-</u>	<u>-</u>
COMPONENT UNITS							
Upper Darby Township Sellers Memorial Library	1,795,583	31,314	1,851,029	-	-	86,760	-
Upper Darby Township Weed and Seed, Inc.	57,055	-	56,013	-	-	-	(1,042)
Total component units	<u>1,852,638</u>	<u>31,314</u>	<u>1,907,042</u>	<u>-</u>	<u>-</u>	<u>86,760</u>	<u>(1,042)</u>
Total primary government	<u>\$ 99,498,965</u>	<u>\$ 25,681,693</u>	<u>\$ 18,664,021</u>	<u>\$ 924,821</u>	<u>\$ (54,314,148)</u>	<u>86,760</u>	<u>(1,042)</u>
GENERAL REVENUES							
Taxes							
Real estate taxes					56,176,979	-	-
Realty transfer taxes					2,796,826	-	-
Mercantile taxes					1,369,172	-	-
Business privilege taxes					1,309,570	-	-
Local services tax					741,354	-	-
Cable television franchise fees					1,176,734	-	-
Investment earnings					1,036,481	2,211	227
Total general revenues					<u>64,607,116</u>	<u>2,211</u>	<u>227</u>
CHANGE IN NET POSITION (DEFICIT)					10,292,968	88,971	(815)
NET POSITION (DEFICIT)							
Beginning of year					(347,206,153)	1,502,627	48,325
End of year					<u>\$ (336,913,185)</u>	<u>\$ 1,591,598</u>	<u>\$ 47,510</u>

See accompanying notes

UPPER DARBY TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	ARPA Fund
ASSETS				
Cash and equivalents	\$ 13,559,316	\$ 3,898,435	\$ 938,162	\$ 34,829,221
Investments	1,025,671	-	-	-
Receivables				
Real estate taxes	2,903,638	-	146,212	-
Sewer assessments	-	-	-	-
Trash	2,465,307	-	-	-
Other	1,065,963	-	-	-
Due from other funds	574,268	-	1,548,789	-
Due from other governments	1,058,270	-	-	-
Prepaid items	119,655	-	-	-
	<u>22,772,088</u>	<u>3,898,435</u>	<u>2,633,163</u>	<u>34,829,221</u>
Total assets	\$ 22,772,088	\$ 3,898,435	\$ 2,633,163	\$ 34,829,221
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,868,276	\$ 143,390	\$ -	\$ 88,707
Accrued salaries, payroll withholdings and benefits	2,450,713	-	-	-
Due to other funds	5,621,323	214,090	-	360,178
Other liabilities	3,306,281	-	-	-
Unearned revenue	-	-	-	33,854,789
	<u>13,246,593</u>	<u>357,480</u>	<u>-</u>	<u>34,303,674</u>
Total liabilities	13,246,593	357,480	-	34,303,674
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes, sewer assessments and trash fees	4,644,325	-	125,827	-
	<u>4,644,325</u>	<u>-</u>	<u>125,827</u>	<u>-</u>
FUND BALANCES				
Nonspendable				
Prepaid items	119,655	-	-	-
Restricted				
Capital projects	-	3,540,955	-	-
Debt service	-	-	2,507,336	-
Sewer rental	-	-	-	-
Public works - highways and streets	-	-	-	-
Unassigned	4,761,515	-	-	525,547
	<u>4,881,170</u>	<u>3,540,955</u>	<u>2,507,336</u>	<u>525,547</u>
Total fund balances	4,881,170	3,540,955	2,507,336	525,547
Total liabilities, deferred inflows of resources and fund balances	\$ 22,772,088	\$ 3,898,435	\$ 2,633,163	\$ 34,829,221

See accompanying notes

<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 2,511	\$ 2,095,007	\$ 55,322,652
-	-	1,025,671
-	-	3,049,850
4,361,284	-	4,361,284
-	-	2,465,307
-	-	1,065,963
4,037,971	34,563	6,195,591
390,748	-	1,449,018
-	-	119,655
<u>\$ 8,792,514</u>	<u>\$ 2,129,570</u>	<u>\$ 75,054,991</u>
\$ 626,214	45,095	\$ 2,771,682
20,112	23,338	2,494,163
-	-	6,195,591
-	-	3,306,281
-	-	33,854,789
<u>646,326</u>	<u>68,433</u>	<u>48,622,506</u>
<u>4,282,597</u>	<u>-</u>	<u>9,052,749</u>
-	-	119,655
-	-	-
-	-	3,540,955
-	-	2,507,336
3,863,591	-	3,863,591
-	2,061,137	2,061,137
-	-	5,287,062
<u>3,863,591</u>	<u>2,061,137</u>	<u>17,379,736</u>
<u>\$ 8,792,514</u>	<u>\$ 2,129,570</u>	<u>\$ 75,054,991</u>

UPPER DARBY TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

December 31, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 17,379,736
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	40,060,118
Some of the Township's taxes, sewer assessments and trash fees will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	9,052,749
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	323,234
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	(95,695,525)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	<u>(308,033,497)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (336,913,185)</u>

UPPER DARBY TOWNSHIP

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

Year ended December 31, 2022

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	ARPA Fund
REVENUES				
Taxes and assessments				
Real estate taxes	\$ 53,312,273	\$ -	\$ 2,582,618	\$ -
Sewer rental assessments	-	-	-	-
Local enabling act taxes	6,216,922	-	-	-
Licenses and permits	2,997,429	-	-	-
Finds and forfeits	680,898	-	-	-
Interest, rent and royalties	564,669	79,402	-	525,547
Intergovernmental revenues	13,749,678	-	-	1,907,150
Charges for services	10,227,266	-	-	-
Miscellaneous	124,659	-	-	-
Total revenues	<u>87,873,794</u>	<u>79,402</u>	<u>2,582,618</u>	<u>2,432,697</u>
EXPENDITURES				
Current				
General government	6,484,213	1,726,190	-	146,141
Public safety	50,314,912	728,580	-	1,199,554
Health and human services	669,647	-	-	18,260
Public works- sanitation	10,168,591	293,104	-	206,855
Public works - highways and streets	5,872,441	849,521	-	190,681
Public works - other services	1,003,560	-	-	42,206
Culture and recreation	5,203,096	198,144	-	97,297
Community development	3,526,276	-	-	6,156
Debt service				
Principal	-	-	890,000	-
Interest	-	-	565,491	-
Total expenditures	<u>83,242,736</u>	<u>3,795,539</u>	<u>1,455,491</u>	<u>1,907,150</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,631,058	(3,716,137)	1,127,127	525,547
OTHER FINANCING SOURCES (USES)				
Transfers in	24,671	-	-	-
Transfers out	(257,238)	(21,615)	-	-
Refund of prior year revenues	(2,054)	-	-	-
Refund of prior year expenditures	326,202	-	-	-
Total other financing sources (uses)	<u>91,581</u>	<u>(21,615)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,722,639	(3,737,752)	1,127,127	525,547
FUND BALANCES				
Beginning of year	158,531	7,278,707	1,380,209	-
End of year	<u>\$ 4,881,170</u>	<u>\$ 3,540,955</u>	<u>\$ 2,507,336</u>	<u>\$ 525,547</u>

See accompanying notes

<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 55,894,891
11,572,977	-	11,572,977
-	-	6,216,922
-	-	2,997,429
-	-	680,898
2,247	13,099	1,184,964
-	1,900,554	17,557,382
383,000	-	10,610,266
-	-	<u>124,659</u>
<u>11,958,224</u>	<u>1,913,653</u>	<u>106,840,388</u>
-	-	8,356,544
-	-	52,243,046
-	-	687,907
9,457,769	-	20,126,319
-	1,647,240	8,559,883
-	-	1,045,766
-	-	5,498,537
-	-	3,532,432
-	-	-
-	-	890,000
-	-	<u>565,491</u>
<u>9,457,769</u>	<u>1,647,240</u>	<u>101,505,925</u>
2,500,455	266,413	5,334,463
-	271,121	295,792
(13,883)	(3,056)	(295,792)
-	-	(2,054)
-	-	<u>326,202</u>
<u>(13,883)</u>	<u>268,065</u>	<u>324,148</u>
2,486,572	534,478	5,658,611
<u>1,377,019</u>	<u>1,526,659</u>	<u>11,721,125</u>
<u>\$ 3,863,591</u>	<u>\$ 2,061,137</u>	<u>\$ 17,379,736</u>

UPPER DARBY TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended December 31, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 5,658,611**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and the net book value of disposed assets in the current period.

Capital outlay expenditures	\$ 9,547,656	
Net book value of disposed capital assets	(38,906)	
Depreciation expense	<u>(2,889,996)</u>	6,618,754

Because some taxes, sewer assessments and trash fees will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources December 31, 2021	(8,138,715)	
Deferred inflows of resources December 31, 2022	<u>9,052,749</u>	914,034

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 the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds payable	890,000	
Proceeds from leases payable	(2,426,079)	
Repayment of leases payable	337,394	
Amortization of bond premiums and deferred amount on refunding	<u>26,057</u>	(1,172,628)

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.

Current year change in compensated absences	(158,063)	
Change in net OPEB liability and related deferred inflows and outflows	5,810,528	
Change in net pension liability and related deferred inflows and outflows	<u>(7,378,268)</u>	(1,725,803)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 10,292,968**

See accompanying notes

UPPER DARBY TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2022

	Pension Trust Funds
ASSETS	
Cash and equivalents	\$ 5,357,438
Investments	197,124,714
Contributions receivable	31,198
Interest receivable	127,881
Prepaid expenses	<u>2,974</u>
Total assets	<u>202,644,205</u>
LIABILITIES	
Accounts payable	<u>59,963</u>
NET POSITION	
Assets held in trust for pension benefits	<u>\$ 202,584,242</u>

See accompanying notes

UPPER DARBY TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2022

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 8,742,046
Employee	2,156,165
Other	<u>3,833</u>
Total contributions	<u>10,902,044</u>
Investment income (loss)	
Net realized and unrealized investment losses	(41,775,149)
Interest and dividend income	4,945,277
Less investment expenses	<u>(606,342)</u>
Net investment income (loss)	<u>(37,436,214)</u>
Total additions	<u>(26,534,170)</u>
DEDUCTIONS	
Benefit payments	16,104,278
Administrative expenses	<u>150,246</u>
Total deductions	<u>16,254,524</u>
CHANGE IN NET POSITION	(42,788,694)
NET POSITION	
Beginning of year	<u>245,372,936</u>
End of year	<u>\$ 202,584,242</u>

See accompanying notes

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upper Darby Township (the "**Township**"), Delaware County, Pennsylvania, was established in 1736 and operates under the Home Rule Charter and Optional Plans Law. The Home Rule Charter provides that the Township is governed by a Mayor and a Township Council which is composed of eleven members. The Township provides the following services: general government; public safety – police, fire, codes and planning and zoning; public works – highways and street, sanitation and sewer, parking; culture and recreation – parks, libraries, senior citizens' centers and community development and housing.

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the following component units are required to be included in the Township's reporting entity.

Discretely Presented Component Units

The Upper Darby Township and Sellers Memorial Free Public Library (the "**Library**") and the Upper Darby Township Weed and Seed, Inc. are component units of the Township. The Library is governed by a Board appointed by the Mayor and confirmed by the Township Council and is fiscally dependent upon the Township because it receives a substantial portion of its operating funds from the Township. The Upper Darby Township Weed and Seed, Inc. is an organization formed to participate in the U.S. Justice Department's Weed and Seed program to benefit the residents and communities of the Township. The Township considers inclusion of the Library and Upper Darby Township Weed and Seed Inc.'s financial information important to the overall presentation of the financial statements. The Library issues separate audited financial statements which are available to the public through the Township office.

Blended Component Units

The Police Pension Plan, Firefighters Pension Plan and Municipal Employees Pension Plan (the "**Pension Plans**") are single employer defined benefit pension plans that provide pension benefits for all regular full-time employees. Although the Pension Plans are separate legal entities, they are reported as if they are part of the Township as they are governed by a board comprised of members appointed by the Mayor and confirmed by the Township Council and the Township is responsible for funding the Pension Plans. The activities of the Pension Plans are blended as fiduciary funds and do not issue separate financial statements.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the Township which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Township is reported as restricted when constraints placed on net position use is 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. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. Fiduciary fund financial statements are presented by fund type.

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. The Township reports the following major governmental funds:

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The General Fund is the Township'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 Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays which include the acquisition or construction of capital facilities and other capital assets, including those financed by general obligation bond proceeds.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and other related costs.

The ARPA Fund is used to account for appropriation from the U.S. Treasury through the American Rescue Plan Act ("**ARPA**") to respond to the impact of COVID-19 on the Township.

The Sewer Fund is used to account for the operation of a sewage treatment plant and collection system.

In addition, the Township reports the following nonmajor governmental funds:

Special Revenue Funds are used to account for the proceeds for specific revenue sources that are restricted or committed to expenditures for specified purposes.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Township expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally 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, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. The Township has three trust funds, consisting of a Police Pension Fund, Municipal Employees Pension Fund and Firefighters Pension Fund.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Cash and Cash Equivalents

Cash equivalents of the Township, Library and Upper Darby Township Weed and Seed, Inc. 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 of the Township and Library are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Township. Unobservable inputs reflect the Township's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Township has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

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

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Township's own assumptions.

Interfund 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/due 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 government-wide financial statements as "internal balances."

Taxes

Property taxes are levied on February 1 and are payable in the following periods:

February 1 – March 31	- Discount period, 2% of gross levy
April 1 – May 31	- Face period
June 1 to collection	- Penalty period, 10% of gross levy
February 28	- Lien date

The Delaware County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the Township. The tax on real estate for fiscal 2022 was 13.14 mills (\$13.14 for \$1,000 of assessed valuation), consisting of 12.51 mills for general purposes and 0.63 mills for debt service. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Taxes receivable are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical trend information.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Other taxes levied in 2022 consisted of the following:

Real estate transfer tax	- 1.50% of gross sales price [split with Upper Darby School District]
Local services tax	- \$52.00 per person that earns over \$12,000/year
Mercantile/business privilege tax	- 0.10% of retail and wholesale gross receipts
	- 0.15% of service and rental gross receipts

Accounts Receivable

The Township's accounts receivable are reported at net realizable value. The Township's sewer and trash operations experience very small losses from uncollectible accounts. Sewer and trash fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances after tax sales are written off each year. Accounts receivable are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical trend information.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets are defined by the Township as assets with an initial individual cost of \$5,000 or more with an estimated useful life in excess of one year. Capital assets are defined by the Library as assets with an initial individual cost of \$500 or more with 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 (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 10-40 years, infrastructure – 15-50 years, land improvements – 10-40 years, machinery and equipment – 3-15 and vehicles – 3-25 years.

Property, plant and equipment (net of salvage value) of the Library is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20 years, leasehold improvements – 10 years, furniture and equipment – 3-10 and library books – 10 years.

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township. No impairment losses were recognized in the year ended December 31, 2022.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick leave. Township employees earn sick and vacation leave, based on collective bargaining and employment agreements, which may either be taken or accumulated until paid upon retirement or termination. The Library allows employees to accumulate earned but unused vacation leave, which must be used by the end of the subsequent calendar year.

The liability for compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirement.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds and notes payable are reported net of the applicable premium or discount. Premiums and discounts are deferred and amortized over the life of the bonds and notes payable. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The amount of debt issued is reported as other financing sources and uses. 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 except for refundings paid from proceeds which are reported as other financing uses.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Township reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Township Council and Mayor. Committed amounts cannot be used for any other purpose unless the Township Council and Mayor removes those constraints by taking the same type of formal action (e.g., resolution).

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Assigned

Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes but are neither restricted nor committed. Intended use is established by the Township Council and Mayor or an official to with the Township Council and Mayor has delegated the authority to assign amounts for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Use of Estimates

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

Implementation of New Accounting Pronouncements

GASB Statement No. 87, "Leases" is effective for the Township for the year ended December 31, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of GASB Statement No. 87, the Township recognized its right-to-use lease assets and corresponding liabilities for its leases for the year ended December 31, 2022.

GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32" is effective for the Township for the year ended December 31, 2022. The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the Township's financial statements for the year ended December 31, 2022.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

New Accounting Pronouncements

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" will be effective for the Township for the year ended December 31, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" will be effective for the Township for the year ended December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Township's fiscal year begins on the first day of January and ends on the last day of December. Each year, at least 90 days prior to the start of the fiscal year, the Mayor submits to Township Council a budget for the subsequent fiscal year. Two budget meetings are held each year by the Township Council on the contents of the budget prior to adoption.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Budgets are legally adopted for the Township's General Fund, Sewer Fund, Debt Service Fund and Highway Aid Fund. Project length financial plans are adopted for the Capital Projects fund.

The Township is legally required to maintain budgetary controls at the major function level. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and include the effect of approved budget amendments.

The Township's Home Rule Charter allows the Mayor to transfer part or all of any unencumbered appropriation balance among line items within a function; and upon request of the Mayor allows Township Council to transfer part or all of any unencumbered appropriation balance from one function to another.

(3) DEPOSITS AND INVESTMENTS

State statutes and the Township's Home Rule Charter authorize the Township to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposits when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

UPPER DARBY TOWNSHIP

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December 31, 2022

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township and its discretely presented component units are 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, the Commonwealth of Pennsylvania or any political subdivision. 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.

At December 31, 2022, the carrying amount of the Township's deposits was \$60,680,090 and the bank balance was \$62,623,443. Of the bank balance, \$1,750,000 was covered by federal depository insurance and \$12,317,583 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Township are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2022, PLGIT is rated as AAA by a nationally recognized statistical rating agency.

Discretely Presented Component Units – Deposits

At December 31, 2022, the carrying amount of the Library's deposits was \$545,358 and the bank balance was \$552,992. Of the bank balance \$272,166 was covered by federal depository insurance and \$280,826 was collateralized by the Library's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

At December 31, 2022, the carrying amount and bank balance of the Upper Darby Township Weed and Seed, Inc.'s deposits was \$40,157 which was covered by federal depository insurance.

Investments

As of December 31, 2022, the Township's had the following investments:

<u>Description</u>	<u>Fair Value</u>	<u>Average Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
General Fund					
Certificate of deposit	\$ 1,025,671	\$ 1,025,671	\$ -	\$ -	\$ -
Pension Trust Funds					
Money market	225,000	225,000	-	-	-
Exchange-traded funds	127,776,214	127,776,214	-	-	-
Mutual funds	27,731,296	27,731,296	-	-	-
Common stock	31,776,201	31,776,201	-	-	-
U.S. Treasury and agency securities	4,958,037	-	2,417,831	1,348,535	1,191,671
Corporate bonds and backed assets	4,657,966	69,213	2,815,019	1,693,581	80,153
	<u>\$198,150,385</u>	<u>\$188,603,595</u>	<u>\$5,232,850</u>	<u>\$3,042,116</u>	<u>\$1,271,824</u>

Exchange-traded funds, mutual funds and common stock were valued using Level 1 inputs while U.S. Treasury and agency securities and corporate bonds and backed assets were valued using Level 2 inputs.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a formal policy related to custodial credit risk for investments. The Township's pension trust funds consist of uninsured, unregistered investments held by a counterparty's trust department but not in the Township's name.

UPPER DARBY TOWNSHIP

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December 31, 2022

Investments in external investment pools or in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2022, the Township's fixed income investments are considered to be exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits its type of investments permitted as defined in the state statutes. The Township does not have a formal policy that addresses credit risk. The Township had no investments subject to credit risk as of December 31, 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. As of December 31, 2022, the Township had no investments subject to concentration of credit risk.

Discretely Presented Component Units – Investments

As of December 31, 2022, all of the Library's investments were in mutual funds totaling \$39,427 and were valued using Level 1 inputs.

(4) CAPITAL ASSETS

The Township's capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2022</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,637,840	\$ -	\$ -	\$ 4,637,840
Construction in progress	<u>38,906</u>	<u>1,325,345</u>	<u>(38,906)</u>	<u>1,325,345</u>
Total capital assets not being depreciated	<u>4,676,746</u>	<u>1,325,345</u>	<u>(38,906)</u>	<u>5,963,185</u>
Capital assets being depreciated				
Land improvements	3,104,432	605,566	-	3,709,998
Buildings and improvements	18,072,752	1,616,832	-	19,689,584
Machinery and equipment	4,929,310	435,331	38,125	5,326,516
Vehicles	16,296,309	1,680,184	80,488	17,896,005
Infrastructure	34,034,825	1,458,319	-	35,493,144
Right-to-use lease assets	<u>1,435,104</u>	<u>2,426,079</u>	<u>-</u>	<u>3,861,183</u>
Total capital assets being depreciated	<u>77,872,732</u>	<u>8,222,311</u>	<u>118,613</u>	<u>85,976,430</u>
Less accumulated depreciation for				
Land improvements	(607,164)	(223,391)	-	(830,555)
Buildings and improvements	(15,019,024)	(263,668)	-	(15,282,692)
Machinery and equipment	(3,372,849)	(399,241)	(38,125)	(3,733,965)
Vehicles	(11,327,799)	(856,633)	(80,488)	(12,103,944)
Infrastructure	(17,782,166)	(917,736)	-	(18,699,902)
Right-to-use lease assets	<u>(999,112)</u>	<u>(229,327)</u>	<u>-</u>	<u>(1,228,439)</u>
Total accumulated depreciation	<u>(49,108,114)</u>	<u>(2,889,996)</u>	<u>(118,613)</u>	<u>(51,879,497)</u>
Total capital assets being depreciated, net	<u>28,764,618</u>	<u>5,332,315</u>	<u>-</u>	<u>34,096,933</u>
Governmental activities, net	<u>\$ 33,441,364</u>	<u>\$ 6,657,660</u>	<u>\$ 38,906</u>	<u>\$ 40,060,118</u>

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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

Governmental activities	
General government	\$ 383,556
Public safety	778,767
Health and human services	10,543
Public works	1,435,783
Culture and recreation	279,373
Community development	<u>1,974</u>
Total depreciation expense - governmental activities	<u>\$2,889,996</u>

As of December 31, 2022, the Township had an outstanding construction commitment related to the 2nd ward playground project in the amount of \$201,968

Discretely Presented Component Unit

The Library's capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2022</u>
Capital assets not being depreciated				
Land	\$ 464,384	\$ -	\$ -	\$ 464,384
Construction in progress	<u>-</u>	<u>16,372</u>	<u>-</u>	<u>16,372</u>
Total capital assets not being depreciated	<u>464,384</u>	<u>16,372</u>	<u>-</u>	<u>480,756</u>
Capital assets being depreciated				
Buildings and improvements	544,258	4,200	-	548,458
Leasehold improvements	174,212	-	-	174,212
Furniture and equipment	453,182	17,512	37,690	433,004
Library books and material	<u>905,971</u>	<u>87,092</u>	<u>93,054</u>	<u>900,009</u>
Total capital assets being depreciated	<u>2,077,623</u>	<u>108,804</u>	<u>130,744</u>	<u>2,055,683</u>
Less accumulated depreciation:	<u>(1,451,107)</u>	<u>(112,356)</u>	<u>(130,032)</u>	<u>(1,433,431)</u>
Total capital assets being depreciated, net	<u>626,516</u>	<u>(3,552)</u>	<u>712</u>	<u>622,252</u>
Governmental activities, net	<u>\$ 1,090,900</u>	<u>\$ 12,820</u>	<u>\$ 712</u>	<u>\$ 1,103,008</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 214,090	Capital Projects Fund	\$ 214,090
Sewer Rental Fund	4,037,971	General Fund	4,037,971
General Fund	360,178	ARPA Fund	360,178
Nonmajor Governmental Fund	34,563	General Fund	34,563
Debt Service Fund	<u>1,548,789</u>	General Fund	<u>1,548,789</u>
	<u>\$6,195,591</u>		<u>\$6,195,591</u>

Interfund balances between funds represent temporary loans recorded to cover various expenses. The balances are generally repaid shortly after year-end.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

A summary of interfund transfers for the year ended December 31, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$ 21,615	Capital Projects Fund	\$ 21,615
General Fund	3,056	Nonmajor Governmental Fund	3,056
Nonmajor Governmental Fund	257,238	General Fund	257,238
Nonmajor Governmental Fund	<u>13,883</u>	Sewer Rental Fund	<u>13,883</u>
	<u>\$295,792</u>		<u>\$295,792</u>

(6) NONCURRENT LIABILITIES

The following summarizes the changes in the Township's noncurrent liabilities for the year ended December 31, 2022:

	<u>Balance January 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2022</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 22,795,000	\$ -	\$ 890,000	\$ 21,905,000	\$1,465,000
Bond premiums	<u>793,638</u>	<u>-</u>	<u>46,259</u>	<u>747,379</u>	<u>46,259</u>
Total general obligation debt	<u>23,588,638</u>	<u>-</u>	<u>936,259</u>	<u>22,652,379</u>	<u>1,511,259</u>
Other noncurrent liabilities					
Compensated absences	3,365,310	158,063	-	3,523,373	-
Financing leases payable	344,496	-	131,383	213,113	135,996
Right-to-use leases payable	487,776	2,426,079	206,011	2,707,844	345,749
Net pension liability	17,415,341	52,319,555	-	69,734,896	-
OPEB liability	<u>312,458,372</u>	<u>-</u>	<u>103,256,480</u>	<u>209,201,892</u>	<u>-</u>
Total other noncurrent liabilities	<u>334,071,295</u>	<u>54,903,697</u>	<u>103,593,874</u>	<u>285,381,118</u>	<u>481,745</u>
Total noncurrent liabilities governmental activities	<u>\$357,659,933</u>	<u>\$54,903,697</u>	<u>\$104,530,133</u>	<u>\$308,033,497</u>	<u>\$1,993,004</u>

Discretely Presented Component Unit

The following summarizes the changes in the Library's noncurrent liabilities for the year ended December 31, 2022:

	<u>Balance January 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 30, 2022</u>	<u>Amount Due Within One Year</u>
Other noncurrent liabilities					
Compensated absences	<u>\$71,869</u>	<u>\$ -</u>	<u>\$10,559</u>	<u>\$61,310</u>	<u>\$61,310</u>

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the Township for which full faith and credit are pledged and are payable from local sources. The Township has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of December 31, 2022 consisted of the following:

UPPER DARBY TOWNSHIP

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<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Original Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2021	2.000% - 4.000%	\$ 9,165,000	05/01/2040	\$ 8,540,000
Series of 2021A	0.276% - 2.826%	13,630,000	05/01/2037	<u>13,365,000</u>
Total general obligation bonds				<u>\$21,905,000</u>

Annual debt service requirements under the governmental activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 1,465,000	\$ 550,476	\$ 2,015,476
2024	1,475,000	529,064	2,004,064
2025	1,505,000	504,360	2,009,360
2026	1,525,000	479,987	2,004,987
2027	1,250,000	453,866	1,703,866
2028-2032	5,930,000	1,810,619	7,740,619
2033-2037	5,455,000	1,072,831	6,527,831
2038-2040	<u>3,300,000</u>	<u>193,400</u>	<u>3,493,400</u>
	<u>\$21,905,000</u>	<u>\$5,594,603</u>	<u>\$27,499,603</u>

(8) LEASES PAYABLE

The Township has entered into long-term lease agreements as lessee for the use of properties in its operations. Initial lease liabilities were recorded in the amount of \$3,753,953. As of December 31, 2022, the carrying amount of the lease liabilities was \$2,647,215. The leases have imputed interest rates ranging from 3.25% to 7.00% and terms of 5 to 14 years as of the contract commencement. The value of the right-to-use assets was \$2,573,327 as of December 31, 2022, net of accumulated amortization of \$1,180,626, and is included with noncurrent assets on the statement of net position (deficit).

The Township has entered into long-term lease agreements as lessee for the financing of vehicles. Initial lease liabilities were recorded in the amount of \$556,785. As of December 31, 2022, the carrying amount of the lease liabilities was \$213,113. The leases have interest rates ranging from 2.75% to 4.49% and terms of 3 to 5 years as of the contract commencement. The value of the right-to-use assets was \$454,676 as of December 31, 2022, net of accumulated amortization of \$102,109, and is included with noncurrent assets on the statement of net position (deficit).

The Township has entered into long-term lease agreements as lessee for the use of copiers and a postage machine. Initial lease liabilities were recorded in the amount of \$107,230. As of December 31, 2022, the carrying amount of the lease liabilities was \$60,629. The leases have imputed interest rates ranging from 3.25% to 7.00% and a term of 5 years as of the contract commencement. The value of the right-to-use assets was \$59,417 as of December 31, 2022, net of accumulated amortization of \$47,813 and is included with noncurrent assets on the statement of net position (deficit).

The net present value of minimum non-cancelable lease payments under these lease agreements are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 481,745	\$ 145,158	\$ 626,903
2024	328,603	124,673	453,276
2025	260,850	109,648	370,498
2026	260,630	96,136	356,766
2027	270,435	82,309	352,744
2028-2032	<u>1,318,694</u>	<u>189,234</u>	<u>1,507,928</u>
	<u>\$2,920,957</u>	<u>\$747,158</u>	<u>\$3,668,115</u>

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(9) POST EMPLOYMENT RETIREMENT PLAN

The Upper Darby Township Postretirement Healthcare and Sick Leave Benefits Plan (the "**OPEB Plan**") is a contributory, single-employer postretirement benefits plan for eligible employees of the Township. The OPEB Plan provides postretirement medical, prescription, dental and vision benefits upon retirement or disability to OPEB Plan members and their beneficiaries, pursuant to Township ordinances and the respective collective bargaining and employment agreements. The OPEB Plan can be amended by the Township through its ordinances and collective bargaining and employment agreements. The OPEB Plan is administered by a plan administrator appointed by the Township Council. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

Membership in the OPEB Plan consisted of the following at January 1, 2021:

Active employees	314
Retired participants with life insurance	274
Retired participants and covered spouses with healthcare	<u>280</u>
Total	<u>868</u>

Funding Policy

The OPEB Plan does not require any contributions from plan members. The Township funds the OPEB Plan on a pay-as-you-go basis.

OPEB Liability

The Township's OPEB liability has been measured as of December 31, 2022. The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. The OPEB liability is \$209,201,892, all of which is unfunded.

The Township's change in total OPEB liability for the year ended December 31, 2022 was as follows:

	<u>Total OPEB Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>Net OPEB Liability (A) – (B)</u>
Balances as of December 31, 2021	<u>\$ 312,458,372</u>	<u>\$ -</u>	<u>\$ 312,458,372</u>
Changes for the year:			
Service cost	12,032,428	-	12,032,428
Interest on total pension liability	7,213,277	-	7,213,277
Differences between expected and actual experience	(38,668,710)	-	(38,668,710)
Changes of assumptions	(76,032,037)	-	(76,032,037)
Employer contributions	-	7,801,438	(7,801,438)
Employee contributions	-	441,790	(441,790)
Benefit payments	<u>(7,801,438)</u>	<u>(8,243,228)</u>	<u>441,790</u>
Net changes	<u>(103,256,480)</u>	<u>-</u>	<u>(103,256,480)</u>
Balances as of December 31, 2022	<u>\$ 209,201,892</u>	<u>\$ -</u>	<u>\$ 209,201,892</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for December 31, 2022, calculated using current healthcare cost trends as well as what the OPEB liability would be if healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$174,247,278</u>	<u>\$209,201,892</u>	<u>\$255,501,204</u>

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

The following presents the net OPEB liability of the Township calculated using the discount rate 4.31%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (3.31%) or 1 percentage point higher (5.31%) than the current rate:

	<u>1% Decrease</u> <u>3.31%</u>	<u>Current Discount Rate</u> <u>4.31%</u>	<u>1% Increase</u> <u>5.31%</u>
OPEB liability	<u>\$246,822,363</u>	<u>\$209,201,892</u>	<u>\$179,454,350</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the Township recognized OPEB expense of \$1,990,910. At December 31, 2022, the Township had deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$56,824,363	\$ 90,080,416
Differences between expected and actual experience	-	94,188,751
	<u>\$56,824,363</u>	<u>\$184,269,167</u>

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

Year ended December 31,

2023	\$ (17,254,795)
2024	(20,175,041)
2025	(18,317,956)
2026	(17,371,083)
2027	(15,258,349)
Thereafter	<u>(39,067,580)</u>
	<u>\$(127,444,804)</u>

Actuarial Methods and Significant Assumptions

The OPEB liability as of December 31, 2022, was determined by rolling forward the OPEB Liability as of January 1, 2021 to December 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 4.31% The discount rate changed from 2.25% to 4.31%.
- Inflation – 2.50% per year
- Salary growth – Police and Firefighters: service based, Nonuniform: 3.50% per year
- Assumed healthcare cost trends – 6.75% in year 1 and decreasing to an ultimate trend rate of 4.50% in year 10

UPPER DARBY TOWNSHIP

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- Mortality – Police and Firefighters: Pub-2010 public safety headcount-weighted mortality tables, with generational projection using scale MP-2021. Nonuniform - Pub-2010 general employee headcount-weighted mortality tables, with generational projection using scale MP-2021

(10) EMPLOYEE RETIREMENT PLANS

Police Pension Plan

The Upper Darby Township Police Pension Plan accounts for a contributory, single-employer defined benefit pension plan (the "**Police Pension Plan**") that covers all full-time uniformed police officers of the Township. The Police Pension Plan is governed by a Board of Trustees that is responsible for the management of Police Pension Plan assets. The Board of Trustees is comprised of three trustees, two appointed by the Mayor and confirmed by the Township Council and one appointed by the Police Wage Negotiation Committee.

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2022:

Active employees	124
Retirees and beneficiaries currently receiving benefits	154
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>279</u>

Benefit Provisions

The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement after attainment of age 50 and 25 years of service or age 60 and 20 years of service. If hired before January 1, 2001, members are eligible for normal retirement upon attaining a combination of age and service at least equal to 77. Members are required to retire when they reach age 60. For members hired after January 1, 2021, normal retirement benefits are calculated as 50% of the member's monthly average compensation from the Township during the final 36 months of service, with a minimum benefit of \$400. For members hired prior to January 1, 2021, normal retirement benefits are calculated as 62% of the member's monthly average compensation from the Township during the highest 24 consecutive months of the last 60 months of service with a minimum benefit of \$400. Members are vested 100% after the completion of 12 years of service plus 2.50% per additional service year.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to 70% of the member's highest 12 months of compensation at the time of disability. A member with at least 3 years of service who becomes disabled not in the line of duty, is eligible for disability payments equal to 50% of the member's highest 12 months of compensation at the time of disability.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse will receive \$1,200 per month for life and each surviving child will receive \$800 per month until age 18, or 23 if full-time student. If there is no surviving spouse or child, \$75 per month will be payable to a named beneficiary for 18 years. If member is not eligible for retirement at the time of death the surviving spouse will received 120 normal retirement payments the member would have been receiving had the member retired at the time of death and thereafter the surviving spouse will receive 50% of normal retirement benefits for the remainder of the spouse's lifetime. If there is no surviving spouse or child, the remaining 120 payments will be paid to a named beneficiary.

Members who begin retirement benefits on or after January 1, 2001, will be provided a cost-of-living adjustment. In no such case shall the benefit exceed 62% of compensation used for computing retirement benefits or 24% of such compensation in total cost-of-living increases, whichever is less.

UPPER DARBY TOWNSHIP

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Basis of Accounting

The Police Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Police Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 5.00% of compensation to the Police Plan or 6.50% if hired before January 1, 2021. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania 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 contribution must be funded by the Township.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.25% percent investment rate of return (net of administrative costs) and (b) 2.50% inflation, 3.50% salary increases and 3.00% cost-of-living adjustments. The unfunded actuarial accrued liability is being amortized on the level dollar over 10 years.

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The Police Pension 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 Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on Police Pension Plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on Police Pension Plan investments, net of pension plan investment expenses not funded through the MMO was -16.05%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

The Police Pension Plan investment policy in regard to allocation of invested assets is established and may be amended by the Township Council and Pension Board. The objective investment strategy is to reduce risk while maximizing returns through prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

A schedule of Police Pension Plan investments by asset class and target allocations and long-term expected rate of return is as follows:

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	70.00%	7.78% - 8.21%
Fixed income	27.00%	2.32%
Cash and equivalents	<u>3.00%</u>	<u>1.17%</u>
Total portfolio	<u>100.00%</u>	<u>6.20%</u>

Net Pension Liability

The Township's net pension liability for the Police Pension Fund has been measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$34,416,517 measured as the difference between the total pension liability of \$128,203,119 and the fiduciary net position of \$93,786,602.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2022 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2021	\$ 123,283,169	\$ 113,726,256	\$ 9,556,913
Changes for the year:			
Service cost	3,993,654	-	3,993,654
Interest on total pension liability	8,657,764	-	8,657,764
Employer contributions	-	4,792,035	(4,792,035)
Employee contributions	-	866,145	(866,145)
Net investment income	-	(17,681,708)	17,681,708
Benefit payments	(7,731,468)	(7,731,468)	-
Administrative expense	-	(184,658)	184,658
Net changes	<u>4,919,950</u>	<u>(19,939,654)</u>	<u>24,859,604</u>
Balances as of December 31, 2022	<u>\$ 128,203,119</u>	<u>\$ 93,786,602</u>	<u>\$ 34,416,517</u>

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

The following presents the net pension liability of the Township calculated using the discount rate 7.25%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net pension liability	<u>\$49,679,534</u>	<u>\$34,416,517</u>	<u>\$ 21,680,111</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2022, the Township recognized pension expense of \$6,351,696. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,645,316	\$ 73,511
Changes in assumptions	728,652	103,546
Net difference between projected and actual earnings on pension plan investments	<u>11,549,911</u>	<u>-</u>
	<u>\$14,923,879</u>	<u>\$177,057</u>

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

Year ended December 31,

2023	\$ 1,415,505
2024	3,301,971
2025	4,714,854
2026	<u>5,314,492</u>
	<u>\$14,746,822</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.25% (net of pension plan expense, including inflation)
- Discount rate – 7.25%
- Inflation – 2.50%
- Salary increases – 3.50% per year
- Mortality rates – Pub-2010 safety amount-weighted mortality tables, projected from 2010 with mortality improvement scale MP-2021.

Municipal Employees Pension Plan

The Upper Darby Township Municipal Employees Pension Plan accounts for a contributory, single-employer defined benefit pension plan (the "***Municipal Employees Pension Plan***") that covers all full-time employees of the Township than police and firefighters. The Municipal Employees Pension Plan is governed by a Board of Trustees that is responsible for the management of Municipal Employees Pension Plan assets. The Board of Trustees is comprised of nine trustees, three appointed by the Mayor and confirmed by the Township Council and six by the Plan membership.

Plan Membership

Membership in the Municipal Employees Pension Plan consisted of the following at January 1, 2021:

Active employees	198
Retirees and beneficiaries currently receiving benefits	149
Terminated plan members entitled to but not yet receiving benefits	<u>18</u>
Total	<u>365</u>

Benefit Provisions

The Municipal Employees Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement after attainment of age 60 and 5 years of service. Normal retirement benefits are calculated as 2.50% of average compensation equal to the highest consecutive two years of compensation multiplied by years of service. Members are vested 100% after the completion of 12 years of service or at normal retirement age.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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If a member with five years of service is totally and permanently disabled, they are eligible for disability payments equal to 100% of their normal retirement benefit based on years of service at disability.

Upon the death of a member with five years of service, a benefit will be paid equal to the actuarial present value of the members accrued benefit at death.

Method Used to Value Investments

Investments in the Municipal Employees Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Municipal Employees Pension Plan are based upon the minimum municipal obligation (the "**MMO**"). The MMO is derived from the Municipal Employees Pension Plan's biennial actuarial valuation. Members in the Municipal Employees Pension Plan are required to contribute 6.00% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania 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 contribution must be funded by the Township.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.50% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and salary increases ranging from 3.50% to 4.75%. The unfunded actuarial accrued liability is being amortized on the level dollar basis.

Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The Municipal Employees Pension 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 Municipal Employees Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on Municipal Employees Pension Plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on Municipal Employees Pension Plan investments, net of pension plan investment expenses not funded through the MMO was -14.80%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

The Municipal Employees Pension Plan investment policy in regard to allocation of invested assets is established and may be amended by the Township Council and Pension Board. The objective investment strategy is to reduce risk while maximizing returns through prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

UPPER DARBY TOWNSHIP

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December 31, 2022

A schedule of Municipal Employees Pension Plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	60.00%	6.80% - 10.00%
Fixed income	38.00%	3.70% - 6.20%
Cash and equivalents	<u>2.00%</u>	1.00% - 3.00%
Total portfolio	<u>100.00%</u>	

Net Pension Liability

The Township's net pension liability for the Municipal Employees Pension Plan has been measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$21,572,749 measured as the difference between the total pension liability of \$89,285,874 and the fiduciary net position of \$67,713,125.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2022 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2021	<u>\$86,737,528</u>	<u>\$ 83,012,117</u>	<u>\$ 3,725,411</u>
Changes for the year:			
Service cost	1,511,014	-	1,511,014
Interest on total pension liability	6,420,424	-	6,420,424
Employer contributions	-	1,848,170	(1,848,170)
Employee contributions	-	797,119	(797,119)
Other income	-	3,833	(3,833)
Net investment income (loss)	-	(12,482,007)	12,482,007
Benefit payments	(5,383,092)	(5,383,092)	-
Administrative expense	-	(83,015)	83,015
Net changes	<u>2,548,346</u>	<u>(15,298,992)</u>	<u>17,847,338</u>
Balances as of December 31, 2022	<u>\$89,285,874</u>	<u>\$ 67,713,125</u>	<u>\$21,572,749</u>

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

The following presents the net pension liability of the Township calculated using the discount rate 7.50%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net pension liability	<u>\$31,430,216</u>	<u>\$21,572,749</u>	<u>\$13,164,165</u>

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2022, the Township recognized pension expense of \$2,494,079. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 859,738	\$4,618,808
Changes in assumptions	2,356,106	395,131
Net difference between projected and actual earnings on pension plan investments	<u>10,251,286</u>	<u>-</u>
	<u>\$13,647,130</u>	<u>\$5,013,939</u>

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

Year ended December 31,

2023	\$ 567,653
2024	1,979,311
2025	2,476,427
2026	3,317,529
2027	(36,926)
Thereafter	<u>149,197</u>
	<u>\$8,453,191</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.50% (net of pension plan expense, including inflation)
- Discount rate – 7.50%
- Inflation – 2.25%
- Salary increases – 3.50% - 4.75% per year
- Mortality rates – Pre & Post Retirement Mortality - Pub-2010 amount-weighted general mortality table with generational mortality from 2010 based on SOA scale MP-2020. – Survivor Mortality – Pub-2010 amount-weighted contingent survivor mortality table with generational mortality from 2010 based on SOA scale MP-2020.

Firefighters Pension Plan

The Upper Darby Township Firefighters Pension Plan accounts for a contributory, single-employer defined benefit pension plan (the "**Firefighters Pension Plan**") that covers all full-time firefighters of the Township. The Firefighters Pension Plan is governed by a Board of Trustees that is responsible for the management of Firefighters Pension Plan assets. The Board of Trustees is comprised of six trustees, three appointed by the Mayor and confirmed by the Township Council and three appointed by firefighters union.

Plan Membership

Membership in the Firefighters Pension Plan consisted of the following at January 1, 2021:

Active employees	54
Retirees and beneficiaries currently receiving benefits	33
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>87</u>

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Benefit Provisions

The Firefighters Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement after attainment of age 53 and 10 years of service. Normal retirement benefits are calculated as 2.50% of average compensation equal to the highest consecutive three years of compensation multiplied by years of service. Members are vested 100% after the completion of 12 years of service or at normal retirement age.

If a member is totally and permanently disabled, they are eligible for disability payments equal to 100% of their normal retirement benefit based on years of service at disability.

Upon the death of a member a benefit will be paid equal to the actuarial present value of the members accrued benefit at death.

Members who retired retirement before January 1, 1996, will be provided benefit increases effective July 1, 2002.

Basis of Accounting

The Firefighters Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Firefighters Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Firefighters Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Firefighters Pension Plan's biennial actuarial valuation. Members in the Firefighters Pension Plan are required to contribute 6.00% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania 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 contribution must be funded by the Township.

Administrative Costs

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

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.75% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and 4.75% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar over 7 years.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Discount Rate

The discount rate used to measure the total pension liability is 6.75%. The Firefighters Pension 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 Firefighters Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on Firefighters Pension Plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on Firefighters Pension Plan investments, net of pension plan investment expenses not funded through the MMO was -14.80%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

The Firefighters Pension Plan investment policy in regard to allocation of invested assets is established and may be amended by the Township Council and Pension Board. The objective investment strategy is to reduce risk while maximizing returns through prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

A schedule of Firefighters Pension Plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	65.00%	7.78% - 8.21%
Fixed income	32.00%	2.32%
Cash and equivalents	<u>3.00%</u>	<u>1.17%</u>
Total portfolio	<u>100.00%</u>	<u>5.92%</u>

Net Pension Liability

The Township's net pension liability for the Firefighters Pension Plan has been measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$13,745,630 measured as the difference between the total pension liability of \$54,830,145 and the fiduciary net position of \$41,084,515.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2022 were as follows:

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of December 31, 2021	<u>\$52,767,580</u>	<u>\$48,634,563</u>	<u>\$ 4,133,017</u>
Changes for the year:			
Service cost	1,155,881	-	1,155,881
Interest on total pension liability	3,538,931	-	3,538,931
Differences between expected and actual experience	357,471	-	357,471
Employer contributions	-	2,101,841	(2,101,841)
Employee contributions	-	492,901	(492,901)
Net investment income	-	(7,123,947)	7,123,947
Benefit payments	(2,989,718)	(2,989,718)	-
Administrative expense	-	(31,125)	31,125
Net changes	<u>2,062,565</u>	<u>(7,550,048)</u>	<u>9,612,613</u>
Balances as of December 31, 2022	<u>\$54,830,145</u>	<u>\$41,084,515</u>	<u>\$13,745,630</u>

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

The following presents the net pension liability of the Township calculated using the discount rate 6.75%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net pension liability	<u>\$20,192,185</u>	<u>\$13,745,630</u>	<u>\$8,263,062</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2022, the Township recognized pension expense of \$3,209,536. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$3,015,454	\$512,948
Changes in assumptions	793,949	-
Net difference between projected and actual earnings on pension plan investments	<u>5,072,811</u>	<u>-</u>
	<u>\$8,882,214</u>	<u>\$512,948</u>

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

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Year ended December 31,

2023	\$1,376,444
2024	2,033,032
2025	2,270,476
2026	<u>2,689,314</u>
	<u>\$8,369,266</u>

Actuarial Methods and Significant Assumptions

- Investment return – 6.75% (net of pension plan expense, including inflation)
- Discount rate – 6.75%
- Inflation – 3.0%
- Salary increases – 4.75% per year
- Mortality rates – RP-2000 Mortality Tables (Blue Collar), projected to 2020 with Scale AA

(11) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The Township receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Township officials do not expect any significant adjustments as a result of these examinations.

Litigation

The Township is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(12) RISK MANAGEMENT

Property and Liability

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers compensation and employee health, for which the Township retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during 2022. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Health Insurance

The Township participates in a consortium with other participating governmental agencies from Delaware County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims.

UPPER DARBY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(13) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 87 "Leases", the Township made a prior period adjustment to record net position for its right-to-use lease assets and associated lease liabilities.

These prior period adjustments and its effect on net position at January 1, 2022 was an increase in net capital assets of \$941,723 and an increase in lease liabilities of \$832,272.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 8, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER DARBY TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Taxes			
Real estate taxes	\$ 52,735,213	\$ 53,312,273	\$ 577,060
Local enabling act taxes			
Real estate transfer taxes	625,000	2,796,826	2,171,826
Mercantile taxes	1,340,000	1,369,172	29,172
Business privilege taxes	950,000	1,309,570	359,570
Local services tax	750,000	741,354	(8,646)
Total taxes	<u>56,400,213</u>	<u>59,529,195</u>	<u>3,128,982</u>
Licenses and permits	3,177,002	2,997,429	(179,573)
Fines and forfeits	568,946	680,898	111,952
Interest, rents and royalties	309,258	564,669	255,411
Intergovernmental revenues	6,261,515	13,749,678	7,488,163
Charges for services	8,397,131	10,227,266	1,830,135
Miscellaneous	550,000	124,659	(425,341)
Total revenues	<u>75,664,065</u>	<u>87,873,794</u>	<u>12,209,729</u>
EXPENDITURES			
Current			
General government			
Legislative	208,208	190,852	17,356
Executive	225,656	179,494	46,162
Auditing services/financial administration	1,528,178	1,903,152	(374,974)
Solicitor/legal services	582,079	719,180	(137,101)
Secretary/clerk	504,090	503,415	675
Other general government administration	460,370	373,575	86,795
IT-networking services-data processing	478,965	261,286	217,679
General government buildings and plant	2,224,097	2,353,259	(129,162)
Total general government	<u>6,211,643</u>	<u>6,484,213</u>	<u>(272,570)</u>
Public safety			
Police	30,073,808	32,535,816	(2,462,008)
Fire	15,209,108	15,761,192	(552,084)
UCC and code enforcement	2,210,938	1,934,606	276,332
Planning and zoning	128,189	70,475	57,714
Emergency management and communication	-	12,823	(12,823)
Total public safety	<u>47,622,043</u>	<u>50,314,912</u>	<u>(2,692,869)</u>
Health and human services	725,814	669,647	56,167
Public works - sanitation			
Recycling collection and disposal	376,775	251,580	125,195
Solid waste collection and disposal	9,036,947	9,917,011	(880,064)
Total public works -sanitation	<u>9,413,722</u>	<u>10,168,591</u>	<u>(754,869)</u>

UPPER DARBY TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Public works - highways and streets			
General services - administration	2,790,591	3,257,060	(466,469)
Traffic control devices	50,000	56,310	(6,310)
Street lighting	1,206,386	1,207,807	(1,421)
Maintenance and repairs of roads and bridges	-	680,233	(680,233)
Highway construction and rebuilding projects	644,662	671,031	(26,369)
Total public works -highways and streets	<u>4,691,639</u>	<u>5,872,441</u>	<u>(1,180,802)</u>
Public works - other services			
Parking	1,043,673	1,003,560	40,113
Culture and recreation			
Culture and recreation - administration	1,117,612	620,672	496,940
Parks	2,542,199	2,690,527	(148,328)
Libraries	1,494,307	1,494,307	-
Senior citizens' centers	602,934	397,590	205,344
Total culture and recreation	<u>5,757,052</u>	<u>5,203,096</u>	<u>553,956</u>
Community development			
Conservation of natural resources	-	36,931	(36,931)
Community development and housing	1,973,594	2,745,894	(772,300)
All other community development	30,000	743,451	(713,451)
Total community development	<u>2,003,594</u>	<u>3,526,276</u>	<u>(1,522,682)</u>
Total expenditures	<u>77,469,180</u>	<u>83,242,736</u>	<u>(5,773,556)</u>
EXCESS DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,805,115)</u>	<u>4,631,058</u>	<u>6,436,173</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	10,000	-	(10,000)
Transfers in	-	24,671	24,671
Transfers out	-	(257,238)	(257,238)
Refund of prior year revenues	(10,000)	(2,054)	7,946
Refunds of prior year expenditures	172,036	326,202	154,166
Total other financing sources (uses)	<u>172,036</u>	<u>91,581</u>	<u>(80,455)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,633,079)</u>	<u>4,722,639</u>	<u>\$ 6,355,718</u>
FUND BALANCE			
Beginning of year		<u>158,531</u>	
End of year		<u>\$ 4,881,170</u>	

UPPER DARBY TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - SEWER FUND

Year ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
REVENUES			
Sewer rental assessments	\$ 10,112,628	\$ 11,572,977	\$ 1,460,349
Interest, rent and royalties	-	2,247	2,247
Charges for services	-	<u>383,000</u>	<u>383,000</u>
Total revenues	<u>10,112,628</u>	<u>11,958,224</u>	<u>1,845,596</u>
EXPENDITURES			
Current			
Public works - sanitation			
Wastewater/sewage collection and treatment	<u>8,346,467</u>	<u>9,457,769</u>	<u>(1,111,302)</u>
Total expenditures	<u>8,346,467</u>	<u>9,457,769</u>	<u>(1,111,302)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,766,161</u>	<u>2,500,455</u>	<u>734,294</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(13,883)</u>	<u>13,883</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,766,161</u>	2,486,572	<u>\$ 748,177</u>
FUND BALANCE			
Beginning of year		<u>1,377,019</u>	
End of year		<u>\$ 3,863,591</u>	

UPPER DARBY TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND

Year ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Real estate taxes	<u>\$ 3,083,450</u>	<u>\$ 2,582,618</u>	<u>\$ (500,832)</u>
EXPENDITURES			
Debt service			
Principal	1,465,000	890,000	575,000
Interest	<u>1,618,450</u>	<u>565,491</u>	<u>1,052,959</u>
Total expenditures	<u>3,083,450</u>	<u>1,455,491</u>	<u>1,627,959</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>1,127,127</u>	<u>\$ 1,127,127</u>
FUND BALANCE			
Beginning of year		<u>1,380,209</u>	
End of year		<u>\$ 2,507,336</u>	

UPPER DARBY TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - HIGHWAY AID FUND

Year ended December 31, 2022

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUES			
Interest rent and royalties	\$ -	\$ 13,099	\$ 13,099
Intergovernmental revenues	<u>2,506,160</u>	<u>1,900,554</u>	<u>(605,606)</u>
Total revenues	<u>2,506,160</u>	<u>1,913,653</u>	<u>(592,507)</u>
EXPENDITURES			
Current			
Public works - highways and streets	<u>2,219,387</u>	<u>1,647,240</u>	<u>572,147</u>
Total expenditures	<u>2,219,387</u>	<u>1,647,240</u>	<u>572,147</u>
NET CHANGE IN FUND BALANCE	<u>\$ 286,773</u>	266,413	<u>\$ 1,164,654</u>
FUND BALANCE			
Beginning of year		<u>1,794,724</u>	
End of year		<u>\$ 2,061,137</u>	

UPPER DARBY TOWNSHIP

SCHEDULE OF CHANGES IN POLICE NET PENSION PLAN LIABILITY

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 3,993,654	\$ 3,858,603	\$ 4,208,914
Interest on total pension liability	8,657,764	8,328,007	7,685,231
Differences between expected and actual experience	-	4,296,525	3,248
Changes of assumptions	-	114,833	(258,094)
Benefit payments	<u>(7,731,468)</u>	<u>(7,545,001)</u>	<u>(6,824,575)</u>
Net change in total pension liability	4,919,950	9,052,967	4,814,724
Total pension liability, beginning	<u>123,283,169</u>	<u>114,230,202</u>	<u>109,415,478</u>
Total pension liability, ending	<u>\$ 128,203,119</u>	<u>\$ 123,283,169</u>	<u>\$ 114,230,202</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	\$ 4,792,035	\$ 4,514,170	\$ 4,518,637
Employee contributions	866,145	848,134	688,328
Net investment income (loss)	(17,681,708)	13,603,188	14,021,200
Benefit payments	(7,731,468)	(7,545,001)	(6,824,575)
Administrative expenses	<u>(184,658)</u>	<u>(379,671)</u>	<u>(329,157)</u>
Net change in plan fiduciary net position	(19,939,654)	11,040,820	12,074,433
Fiduciary net position, beginning	<u>113,726,256</u>	<u>102,685,436</u>	<u>90,611,003</u>
Fiduciary net position, ending	<u>\$ 93,786,602</u>	<u>\$ 113,726,256</u>	<u>\$ 102,685,436</u>
Net pension liability	<u>\$ 34,416,517</u>	<u>\$ 9,556,913</u>	<u>\$ 11,544,766</u>
Fiduciary net position as a % of total pension liability	73.15%	92.25%	89.89%
Covered payroll	\$ 14,994,634	\$ 14,334,142	\$ 15,172,803
Net pension liability as a % of covered payroll	229.53%	66.67%	76.09%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 4,069,721	\$ 3,829,248	\$ 3,655,606	\$ 3,666,355	\$ 3,349,022	\$ 3,189,543
7,321,920	7,650,631	7,212,605	6,951,797	6,367,532	5,987,854
(285,059)	(45,695)	(2,733,364)	-	(4,040,837)	-
2,551,487	(5,763,975)	249,081	-	8,907,859	-
<u>(5,936,319)</u>	<u>(5,388,607)</u>	<u>(5,043,907)</u>	<u>(4,493,295)</u>	<u>(4,460,947)</u>	<u>(4,401,917)</u>
7,721,750	281,602	3,340,021	6,124,857	10,122,629	4,775,480
<u>101,693,728</u>	<u>101,412,126</u>	<u>98,072,105</u>	<u>91,947,248</u>	<u>81,824,619</u>	<u>77,049,139</u>
<u>\$ 109,415,478</u>	<u>\$ 101,693,728</u>	<u>\$ 101,412,126</u>	<u>\$ 98,072,105</u>	<u>\$ 91,947,248</u>	<u>\$ 81,824,619</u>
\$ 4,975,380	\$ 5,726,733	\$ 4,711,803	\$ 4,538,737	\$ 5,012,337	\$ 4,843,478
843,661	836,447	754,436	859,918	777,447	743,812
16,022,504	(4,747,288)	11,309,664	5,161,225	(437,319)	4,086,233
(5,936,319)	(5,388,607)	(5,043,907)	(4,493,295)	(4,460,947)	(4,401,917)
<u>(327,575)</u>	<u>(338,662)</u>	<u>(322,586)</u>	<u>(263,278)</u>	<u>(292,272)</u>	<u>(56,143)</u>
15,577,651	(3,911,377)	11,409,410	5,803,307	599,246	5,215,463
<u>75,033,352</u>	<u>78,944,729</u>	<u>67,535,319</u>	<u>61,732,012</u>	<u>61,132,766</u>	<u>55,917,303</u>
<u>\$ 90,611,003</u>	<u>\$ 75,033,352</u>	<u>\$ 78,944,729</u>	<u>\$ 67,535,319</u>	<u>\$ 61,732,012</u>	<u>\$ 61,132,766</u>
<u>\$ 18,804,475</u>	<u>\$ 26,660,376</u>	<u>\$ 22,467,397</u>	<u>\$ 30,536,786</u>	<u>\$ 30,215,236</u>	<u>\$ 20,691,853</u>
82.81%	73.78%	77.85%	68.86%	67.14%	74.71%
\$ 14,927,595	\$ 15,280,806	\$ 14,474,564	\$ 14,304,153	\$ 13,841,548	\$ 12,930,104
125.97%	174.47%	155.22%	213.48%	218.29%	160.03%

UPPER DARBY TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS

Year ended December 31,

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 4,843,478	\$ 4,843,478	\$ -	\$ 12,930,104	37.46%
2015	5,012,337	5,012,337	-	13,841,548	36.21%
2016	4,538,737	4,538,737	-	14,304,153	31.73%
2017	4,711,803	4,711,803	-	14,474,564	32.55%
2018	5,726,733	5,726,733	-	15,280,806	37.48%
2019	4,975,380	4,975,380	-	14,927,595	33.33%
2020	4,518,637	4,518,637	-	15,172,803	29.78%
2021	4,514,170	4,514,170	-	14,334,142	31.49%
2022	4,792,035	4,792,035	-	14,994,634	31.96%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

UPPER DARBY TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment return	<u>-16.05%</u>	<u>13.34%</u>	<u>15.45%</u>	<u>21.39%</u>	<u>-6.44%</u>	<u>16.65%</u>	<u>8.12%</u>	<u>-1.07%</u>	<u>7.52%</u>

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

UPPER DARBY TOWNSHIP

SCHEDULE OF CHANGES IN MUNICIPAL EMPLOYEES NET PENSION PLAN LIABILITY

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 1,511,014	\$ 1,657,901	\$ 1,716,306	\$ 1,734,361
Interest on total pension liability	6,420,424	6,506,650	6,263,543	6,009,012
Differences between expected and actual experience	-	(3,527,228)	-	1,473,838
Changes of assumptions	-	(559,769)	-	913,344
Benefit payments	<u>(5,383,092)</u>	<u>(4,788,353)</u>	<u>(4,575,531)</u>	<u>(4,096,266)</u>
Net change in total pension liability	2,548,346	(710,799)	3,404,318	6,034,289
Total pension liability, beginning	<u>86,737,528</u>	<u>87,448,327</u>	<u>84,044,009</u>	<u>78,009,720</u>
Total pension liability, ending	<u>\$ 89,285,874</u>	<u>\$ 86,737,528</u>	<u>\$ 87,448,327</u>	<u>\$ 84,044,009</u>
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 1,848,170	\$ 2,000,610	\$ 2,032,743	\$ 1,062,470
Employee contributions	797,119	717,835	739,882	776,067
Other income	3,833	-	-	-
Net investment income	(12,482,007)	9,243,000	7,636,934	11,502,809
Benefit payments	(5,383,092)	(4,788,353)	(4,575,531)	(4,096,266)
Administrative expense	<u>(83,015)</u>	<u>(36,549)</u>	<u>(54,715)</u>	<u>(64,437)</u>
Net change in plan fiduciary net position	(15,298,992)	7,136,543	5,779,313	9,180,643
Fiduciary net position, beginning	<u>83,012,117</u>	<u>75,875,574</u>	<u>70,096,261</u>	<u>60,915,618</u>
Fiduciary net position, ending	<u>\$ 67,713,125</u>	<u>\$ 83,012,117</u>	<u>\$ 75,875,574</u>	<u>\$ 70,096,261</u>
Net pension liability	<u>\$ 21,572,749</u>	<u>\$ 3,725,411</u>	<u>\$ 11,572,753</u>	<u>\$ 13,947,748</u>
Fiduciary net position as a % of total pension liability	75.84%	95.70%	86.77%	83.40%
Covered payroll	12,374,092	11,867,356	13,157,501	12,621,104
Net pension liability (asset) as a % of covered payroll	174.34%	31.39%	87.96%	110.51%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,667,557	\$ 1,436,443	\$ 1,531,882	\$ 1,364,058	\$ 1,328,842
5,576,474	5,432,696	5,413,416	4,981,253	4,827,925
(645,678)	(3,003,293)	(612,438)	(1,340,172)	(699,869)
3,763,027	-	-	-	-
<u>(3,771,312)</u>	<u>(3,770,947)</u>	<u>(3,446,427)</u>	<u>(3,181,427)</u>	<u>(3,704,597)</u>
6,590,068	94,899	2,886,433	1,823,712	1,752,301
<u>71,419,652</u>	<u>71,324,753</u>	<u>68,438,320</u>	<u>66,614,608</u>	<u>64,862,307</u>
<u>\$ 78,009,720</u>	<u>\$ 71,419,652</u>	<u>\$ 71,324,753</u>	<u>\$ 68,438,320</u>	<u>\$ 66,614,608</u>
\$ 1,019,287	\$ 962,580	\$ 907,281	\$ 873,334	\$ 896,788
761,528	728,513	766,948	691,270	653,919
-	-	10,787	7,055	-
(3,979,837)	9,035,734	2,380,341	110,645	4,486,461
(3,771,312)	(3,770,947)	(3,446,427)	(3,181,428)	(3,714,872)
<u>(68,967)</u>	<u>(60,639)</u>	<u>(68,786)</u>	<u>(87,785)</u>	<u>(43,500)</u>
(6,039,301)	6,895,241	550,144	(1,586,909)	2,278,796
<u>66,954,919</u>	<u>60,059,678</u>	<u>59,509,534</u>	<u>61,096,443</u>	<u>58,817,647</u>
<u>\$ 60,915,618</u>	<u>\$ 66,954,919</u>	<u>\$ 60,059,678</u>	<u>\$ 59,509,534</u>	<u>\$ 61,096,443</u>
<u>\$ 17,094,102</u>	<u>\$ 4,464,733</u>	<u>\$ 11,265,075</u>	<u>\$ 8,928,786</u>	<u>\$ 5,518,165</u>
78.09%	93.75%	84.21%	86.95%	91.72%
12,141,067	11,694,804	11,658,330	11,142,155	10,551,801
140.80%	38.18%	96.63%	80.14%	52.30%

UPPER DARBY TOWNSHIP

SCHEDULE OF MUNICIPAL EMPLOYEES PENSION PLAN CONTRIBUTIONS

Year ended December 31,

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 896,788	\$ 896,788	\$ -	\$ 10,551,801	8.50%
2015	873,334	873,334	-	11,142,155	7.84%
2016	907,281	907,281	-	11,658,330	7.78%
2017	962,580	962,580	-	11,694,804	8.23%
2018	1,019,287	1,019,287	-	12,141,067	8.40%
2019	1,062,470	1,062,470	-	12,621,104	8.42%
2020	2,032,743	2,032,743	-	13,157,501	15.45%
2021	2,000,610	2,000,610	-	11,867,356	16.86%
2022	1,848,170	1,848,170	-	12,374,092	14.94%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

UPPER DARBY TOWNSHIP

SCHEDULE OF POLICE MUNICIPAL EMPLOYEES PLAN INVESTMENT RETURNS

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment return	<u>-14.80%</u>	<u>13.82%</u>	<u>11.29%</u>	<u>19.17%</u>	<u>-5.70%</u>	<u>15.94%</u>	<u>4.63%</u>	<u>-0.71%</u>	<u>8.33%</u>

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



UPPER DARBY TOWNSHIP

SCHEDULE OF CHANGES IN FIREFIGHTERS NET PENSION PLAN LIABILITY

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 1,155,881	\$ 1,160,084	\$ 935,559	\$ 960,129
Interest on total pension liability	3,538,931	3,217,125	3,105,447	2,701,881
Differences between expected and actual experience	357,471	3,097,394	(563,856)	2,616,887
Changes of assumptions	-	-	-	1,185,147
Benefit payments	<u>(2,989,718)</u>	<u>(2,416,106)</u>	<u>(1,678,247)</u>	<u>(1,243,211)</u>
Net change in total pension liability	2,062,565	5,058,497	1,798,903	6,220,833
Total pension liability, beginning	<u>52,767,580</u>	<u>47,709,083</u>	<u>45,910,180</u>	<u>39,689,347</u>
Total pension liability, ending	<u>\$ 54,830,145</u>	<u>\$ 52,767,580</u>	<u>\$ 47,709,083</u>	<u>\$ 45,910,180</u>
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ 2,101,841	\$ 2,543,984	\$ 2,060,501	\$ 2,128,047
Employee contributions	492,901	441,643	389,125	436,575
Other income	-	-	-	-
Net investment income (loss)	(7,123,947)	5,019,496	5,681,224	5,607,695
Benefit payments	(2,989,718)	(2,416,106)	(1,678,247)	(1,243,211)
Administrative expense	<u>(31,125)</u>	<u>(15,050)</u>	<u>(29,576)</u>	<u>(32,575)</u>
Net change in plan fiduciary net position	(7,550,048)	5,573,967	6,423,027	6,896,531
Fiduciary net position, beginning	<u>48,634,563</u>	<u>43,060,596</u>	<u>36,637,569</u>	<u>29,741,038</u>
Fiduciary net position, ending	<u>\$ 41,084,515</u>	<u>\$ 48,634,563</u>	<u>\$ 43,060,596</u>	<u>\$ 36,637,569</u>
Net pension liability	<u>\$ 13,745,630</u>	<u>\$ 4,133,017</u>	<u>\$ 4,648,487</u>	<u>\$ 9,272,611</u>
Fiduciary net position as a % of total pension liability	74.93%	92.17%	90.26%	79.80%
Covered payroll	\$ 7,914,278	\$ 6,998,589	\$ 7,565,378	\$ 7,226,128
Net pension liability as a % of covered payroll	173.68%	59.06%	61.44%	128.32%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 910,894	\$ 930,306	\$ 848,744	\$ 832,869	\$ 880,824
2,663,029	2,432,481	2,379,778	2,258,285	2,036,876
(449,968)	119,120	(309,056)	(551,095)	(529)
-	970,160	-	-	-
<u>(1,133,984)</u>	<u>(1,144,224)</u>	<u>(1,007,436)</u>	<u>(752,903)</u>	<u>(697,458)</u>
1,989,971	3,307,843	1,912,030	1,787,156	2,219,713
<u>37,699,376</u>	<u>34,391,533</u>	<u>32,479,503</u>	<u>30,692,347</u>	<u>28,472,634</u>
<u>\$ 39,689,347</u>	<u>\$ 37,699,376</u>	<u>\$ 34,391,533</u>	<u>\$ 32,479,503</u>	<u>\$ 30,692,347</u>
\$ 1,631,536	\$ 1,586,677	\$ 1,515,976	\$ 1,125,538	\$ 1,069,622
416,389	365,555	394,308	367,743	357,305
3,585	191,293	-	-	-
(1,777,464)	3,767,421	1,750,732	(271,486)	1,163,102
(1,133,984)	(1,144,224)	(1,007,436)	(752,903)	(697,458)
<u>(24,936)</u>	<u>(28,185)</u>	<u>(31,094)</u>	<u>(32,046)</u>	<u>(33,907)</u>
(884,874)	4,738,537	2,622,486	436,846	1,858,664
<u>30,625,912</u>	<u>25,887,375</u>	<u>23,264,889</u>	<u>22,828,043</u>	<u>20,969,379</u>
<u>\$ 29,741,038</u>	<u>\$ 30,625,912</u>	<u>\$ 25,887,375</u>	<u>\$ 23,264,889</u>	<u>\$ 22,828,043</u>
<u>\$ 9,948,309</u>	<u>\$ 7,073,464</u>	<u>\$ 8,504,158</u>	<u>\$ 9,214,614</u>	<u>\$ 7,864,304</u>
74.93%	81.24%	75.27%	71.63%	74.38%
\$ 6,854,800	\$ 6,149,717	\$ 6,434,030	\$ 6,142,272	\$ 5,863,744
145.13%	115.02%	132.17%	150.02%	134.12%

UPPER DARBY TOWNSHIP

SCHEDULE OF FIREFIGHTERS PENSION PLAN CONTRIBUTIONS

Year ended December 31,

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 1,069,622	\$ 1,069,622	\$ -	\$ 5,863,744	18.24%
2015	1,125,538	1,125,538	-	6,142,272	18.32%
2016	1,305,775	1,305,775	-	6,434,030	20.29%
2017	1,586,677	1,586,677	-	6,149,717	25.80%
2018	1,631,536	1,631,536	-	6,854,800	23.80%
2019	2,128,047	2,128,047	-	7,226,128	29.45%
2020	2,060,501	2,060,501	-	7,565,378	27.24%
2021	2,543,984	2,543,984	-	6,998,589	36.35%
2022	2,101,841	2,101,841	-	7,914,278	26.56%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

UPPER DARBY TOWNSHIP

SCHEDULE OF FIREFIGHTERS PENSION PLAN INVESTMENT RETURNS

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment return	<u>-14.80%</u>	<u>14.81%</u>	<u>13.60%</u>	<u>18.30%</u>	<u>-5.30%</u>	<u>15.10%</u>	<u>7.56%</u>	<u>-1.19%</u>	<u>5.57%</u>

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



UPPER DARBY TOWNSHIP

SCHEDULE OF CHANGES IN OPEB LIABILITY

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 12,032,428	\$ 12,783,923	\$ 12,557,473
Interest on total OPEB liability	7,213,277	6,314,449	9,536,995
Differences between expected and actual experience	(38,668,710)	(31,933,903)	(17,787,925)
Changes of assumptions	(76,032,037)	(17,968,858)	68,495,480
Benefit payments	<u>(7,801,438)</u>	<u>(6,121,519)</u>	<u>(8,612,557)</u>
Net change in total OPEB liability	(103,256,480)	(36,925,908)	64,189,466
Total OPEB liability, beginning	<u>312,458,372</u>	<u>349,384,280</u>	<u>285,194,814</u>
Total OPEB liability, ending	<u>\$ 209,201,892</u>	<u>\$ 312,458,372</u>	<u>\$ 349,384,280</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	7,801,438	6,121,519	8,612,557
Employee contributions	441,790	447,330	595,449
Benefit payments	<u>(8,243,228)</u>	<u>(6,568,849)</u>	<u>(9,208,006)</u>
Net change in plan fiduciary net position	-	-	-
Fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 35,787,784	\$ 28,787,310	\$ 39,542,740
Net OPEB liability (asset) as a % of covered payroll	584.56%	1085.40%	883.56%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 12,784,036	\$ 16,640,334	\$ 13,637,039
9,886,919	9,675,368	9,647,103
(42,512,515)	-	-
7,341,705	(27,406,607)	28,249,754
<u>(5,816,645)</u>	<u>(5,104,639)</u>	<u>(5,119,112)</u>
(18,316,500)	(6,195,544)	46,414,784
<u>303,511,314</u>	<u>309,706,858</u>	<u>263,292,074</u>
<u>\$ 285,194,814</u>	<u>\$ 303,511,314</u>	<u>\$ 309,706,858</u>
5,816,645	5,104,639	5,119,112
426,046	393,236	399,715
<u>(6,242,691)</u>	<u>(5,497,875)</u>	<u>(5,518,827)</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
0.00%	0.00%	0.00%
\$ 30,683,950	\$ 29,388,021	\$ 28,055,390
929.46%	1032.77%	1103.91%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

UPPER DARBY TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

December 31, 2022

	<u>Highway Aid Fund</u>	<u>Sewer Capital Fund</u>	<u>Community Development Grants</u>	<u>Upper Darby Football Bowl</u>	<u>Total</u>
ASSETS					
Cash	\$ 2,095,007	\$ -	\$ -	\$ -	\$ 2,095,007
Due from other funds	<u>34,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,563</u>
Total assets	<u><u>\$ 2,129,570</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,129,570</u></u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 45,095	\$ -	\$ -	\$ -	\$ 45,095
Accrued salaries, payroll withholdings and benefits	<u>23,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,338</u>
Total liabilities	<u><u>68,433</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>68,433</u></u>
FUND BALANCES					
Restricted					
Public works - highways and streets	<u>2,061,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,061,137</u>
Total fund balances	<u><u>2,061,137</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,061,137</u></u>
Total liabilities and fund balances	<u><u>\$ 2,129,570</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,129,570</u></u>

UPPER DARBY TOWNSHIP

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

Year ended December 31, 2022

	Highway Aid Fund	Sewer Capital Fund	Community Development Grants	Upper Darby Football Bowl	Total
REVENUES					
Interest, rents and royalties	\$ 13,099	\$ -	\$ -	\$ -	\$ 13,099
Intergovernmental revenues	<u>1,900,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,900,554</u>
Total revenues	<u>1,913,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,913,653</u>
EXPENDITURES					
Public works - highways and streets	1,647,240	-	-	-	1,647,240
Public works - sanitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,647,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,240</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>266,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,413</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	13,883	257,238	-	271,121
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,056)</u>	<u>(3,056)</u>
Total other financing sources (uses)	<u>-</u>	<u>13,883</u>	<u>257,238</u>	<u>(3,056)</u>	<u>268,065</u>
NET CHANGE IN FUND BALANCES					
	266,413	13,883	257,238	(3,056)	534,478
FUND BALANCES (DEFICIT)					
Beginning of year	<u>1,794,724</u>	<u>(13,883)</u>	<u>(257,238)</u>	<u>3,056</u>	<u>1,526,659</u>
End of year	<u>\$ 2,061,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,061,137</u>

UPPER DARBY TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2022

	Pension Trust Funds			
	Police Pension Fund	Municipal Employees Pension Fund	Firefighters Pension Fund	Total
ASSETS				
Cash and equivalents	\$ 1,617,992	\$ 3,181,118	\$ 558,328	\$ 5,357,438
Investments	92,203,795	64,394,732	40,526,187	197,124,714
Contributions receivable	-	31,198	-	31,198
Interest receivable	-	127,881	-	127,881
Prepaid expenses	-	2,974	-	2,974
Total assets	\$ 93,821,787	\$ 67,737,903	\$ 41,084,515	\$ 202,644,205
LIABILITIES				
Accounts payable	35,185	24,778	-	59,963
NET POSITION				
Assets held in trust for pension benefits	<u>\$ 93,786,602</u>	<u>\$ 67,713,125</u>	<u>\$ 41,084,515</u>	<u>\$ 202,584,242</u>

UPPER DARBY TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2022

	Pension Trust Funds			Total
	Police Pension Fund	Municipal Employees Pension Fund	Firefighters Pension Fund	
REVENUES				
Contributions				
Employer	\$ 4,792,035	\$ 1,848,170	\$ 2,101,841	\$ 8,742,046
Employee	866,145	797,119	492,901	2,156,165
Other	-	3,833	-	3,833
Total contributions	<u>5,658,180</u>	<u>2,649,122</u>	<u>2,594,742</u>	<u>10,902,044</u>
Investment income (loss)				
Net realized and unrealized investment losses	(19,854,748)	(13,858,352)	(8,062,049)	(41,775,149)
Interest and dividend income	2,173,039	1,727,652	1,044,586	4,945,277
Less investment expenses	<u>(148,551)</u>	<u>(351,307)</u>	<u>(106,484)</u>	<u>(606,342)</u>
Net investment income (loss)	<u>(17,830,260)</u>	<u>(12,482,007)</u>	<u>(7,123,947)</u>	<u>(37,436,214)</u>
Total additions	<u>(12,172,080)</u>	<u>(9,832,885)</u>	<u>(4,529,205)</u>	<u>(26,534,170)</u>
DEDUCTIONS				
Benefit payments	7,731,468	5,383,092	2,989,718	16,104,278
Administrative expenses	<u>36,106</u>	<u>83,015</u>	<u>31,125</u>	<u>150,246</u>
Total deductions	<u>7,767,574</u>	<u>5,466,107</u>	<u>3,020,843</u>	<u>16,254,524</u>
CHANGE IN NET POSITION	(19,939,654)	(15,298,992)	(7,550,048)	(42,788,694)
NET POSITION				
Beginning of year	<u>113,726,256</u>	<u>83,012,117</u>	<u>48,634,563</u>	<u>245,372,936</u>
End of year	<u>\$ 93,786,602</u>	<u>\$ 67,713,125</u>	<u>\$ 41,084,515</u>	<u>\$ 202,584,242</u>

OTHER INFORMATION

UPPER DARBY TOWNSHIP

TEN YEAR SUMMARY OF REAL ESTATE TAXES

Year ended December 31,

<u>Year</u>	<u>Tax Rate in Mils</u>	<u>Net Assessed Valuation</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Current Collections To Tax Levy</u>
2013	17.94	\$ 2,677,717,414	\$48,004,974	\$ 45,843,640	95.498%
2014	18.93	2,949,305,129	50,744,893	48,722,196	96.014%
2015	19.92	2,668,812,865	53,160,876	51,019,657	95.972%
2016	19.92	2,665,901,853	53,103,533	51,004,023	96.046%
2017	20.37	2,696,079,051	54,742,907	52,372,124	95.669%
2018	20.95	2,682,070,560	56,189,378	52,788,167	93.947%
2019	20.95	2,702,176,667	56,610,601	54,861,411	96.910%
2020	21.38	2,644,946,050	56,548,947	55,868,990	98.798%
2021	13.25	4,325,580,883	57,313,947	55,886,955	97.510%
2022	13.14	4,303,564,553	56,539,696	53,805,068	95.163%

SINGLE AUDIT

UPPER DARBY TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying /Grant Number</u>	<u>Federal Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant	14.218	N/A	\$ 2,573,485	\$303,490
<u>U.S. Department of the Treasury</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	7,907,150	-
<u>U.S. Department of Justice</u>				
Passed-Through the County of Delaware				
Justice Assistance Grant	16.738	N/A	5,369	-
Bureau of Justice Assistance Bullet Proof Vest Program	16.607	N/A	<u>9,024</u>	<u>-</u>
Total U.S. Department of Justice			<u>14,393</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$10,495,028</u>	<u>\$303,490</u>

See notes to schedule of expenditures of federal awards

UPPER DARBY TOWNSHIP

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2022

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

(2) BASIS OF ACCOUNTING

The Township uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) INDIRECT COSTS

The Township has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

UPPER DARBY TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2022

FINDINGS—FINANCIAL STATEMENT AUDIT

2021-01 Internal Control Policies and Procedures

During prior year audits it was noted that the Township does not have a formal internal control document that details key processes and controls over each area, that is consistent with actual processes and procedures followed by the Township. The Township's existing internal control policies and procedures document, General Statement of Internal Control Policy, was written by the previous auditors and does not reflect actual processes or controls in place at the Township.

2022 Summary Status

See repeat finding 2022-01.

2021-02 Recordkeeping

During prior year audits, several areas were noted where the Township did not maintain appropriate supporting documentation and records throughout the year to support financial statement line items. The Township gathered supporting documentation from departments, reviewed documentation for treatment and classification, and prepared several audit schedules after year end rather than maintaining records throughout the year to support financial balances. There is not an effective internal management review process to ensure that the activity in general ledger accounts is accurate and complete, and that related schedules including financial information are accurate, complete and prepared timely.

2022 Summary Status

During 2022, the Township Controller implemented formal processes for the preparation and separate management review of financial balances and schedules, including a review of the accuracy and completeness of schedules, so that key financial information is available to the Township on a timely basis for monitoring purposes. This finding is no longer applicable.

2021-03 Grant Management

During prior year audits, it was noted that the Township did not have a system in place to perform comprehensive tracking and reporting for grants in accordance with the Generally Accepted Accounting Principles ("**GAAP**") and the Uniform Grant Guidance ("**UGG**"). The UGG requires that all grant revenues and expenses be presented in separate accounts that clearly identify as being dedicated for specific grants. GAAP requires that as expenses are incurred, reciprocating revenues are also recognized so that expense always equals revenues and related grant receivables or deferred revenues be recognized as needed. As a result, the Township cannot provide timely annual reporting of grants revenues and expenses which can be readily tied to the Township records. This has also resulted in delays in the Township's preparation of the Schedule of Expenditures of Federal Awards ("**SEFA**") and the subsequent completion of the single audits and filing of the audit with the Federal Audit Clearinghouse.

2022 Summary Status

During 2022, the Township Controller has implemented a grant accounting process in conjunction with the Township's new accounting system to properly trace each grant by unique account codes. This finding is no longer applicable.

2021-04 Information Technology/Software

During prior year audits, it was noted that the Township utilized accounting software whose interface and capabilities were outdated. Reports were required to run on large dot matrix printer paper and require storage in hard copy in a storage room on the top floor of the Township building. As a result of the accounting software not having robust reporting capabilities, Township personnel have to maintain accounting data and information outside of the accounting software rendering it inadequate for the current needs of the Township and prone to errors in accounting data.

UPPER DARBY TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2022

2022 Summary Status

The Township implemented a new accounting software effective January 1, 2023 which will address the inherent limitations that were associated with the software that has historically been used at the Township. The new accounting software will archive prior year financial information, maintain adequate supporting ledgers and automate accounting systems to reduce the chance of errors in financial information. This finding is no longer applicable.

2021-05 Due To/From Balances and Transfers Between Funds

During prior year audits it was noted that an un budgeted material transfer was made from the Sewer Rental Fund to the General Fund without proper supporting documentation as to the details of the reimbursement. In addition, it was noted that there were significant interfund balances accumulating between the Sewer Rental Fund, the Debt Service Fund and the General Fund.

2022 Summary Status

During 2022, the Township did not make any significant transfers between funds without proper documentation. This part of the finding is no longer applicable. See repeat finding 2022-02 related to significant interfund balances that exist as of year end.



**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**

**Honorable Township Mayor
and Members of Council
Upper Darby Township
Upper Darby, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Darby Township, Upper Darby, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Upper Darby Township's basic financial statements, and have issued our report thereon dated February 8, 2024. Our report includes a reference to other auditors who audited the financial statements of the Upper Darby Township Sellers Memorial Free Public Library and the Municipal Employees Pension Plan, as described in our report on the Township's financial statements. The financial statements of the Upper Darby Sellers Memorial Free Public Library and Municipal Employees Pension Plan were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the discretely presented component unit and pension trust fund or that are reported on separately by other auditors who audited the financial statements of the Upper Darby Township Sellers Memorial Free Public Library and Municipal Employees Pension Plan.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Darby Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Darby Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Darby 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (**See Finding 2022-01 and 2022-02**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Darby 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 determination of financial statement amounts. 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*.

Upper Darby Township's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Upper Darby Township's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Upper Darby Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
February 8, 2024**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**Honorable Township Mayor
and Members of Council
Upper Darby Township
Upper Darby, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upper Darby Township's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Upper Darby Township's major federal programs for the year ended December 31, 2022. Upper Darby Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Darby Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Darby Township and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Upper Darby Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Upper Darby Township's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Upper Darby Township's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Upper Darby Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Upper Darby Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Upper Darby's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Upper Darby Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs (***See Finding SA 2022-02***). Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Upper Darby Township's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Upper Darby Township's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness **(See Finding SA 2022-01)**.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs to be a significant deficiency **(See Finding SA 2022-02)**.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Upper Darby Township's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Upper Darby Township's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

BBD, LLP

Philadelphia, Pennsylvania
February 8, 2024

UPPER DARBY TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2022

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Upper Darby Township were prepared in accordance with GAAP.
2. Two material weaknesses relating to the audit of the financial statements of Upper Darby Township are reported in the 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.
3. No instances of noncompliance material to the financial statements of Upper Darby Township, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. One material weakness and one significant deficiency in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Upper Darby Township expresses an unmodified opinion on all major federal programs.
6. Audit findings required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
 - Community Development Block Grant – Assistance Listing #14.218
 - Coronavirus State and Local Recovery Funds – Assistance Listing #21.027
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Upper Darby Township did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022-01 Internal Control Policies and Procedures Repeat Finding 2021-01

Condition: During the audit, we noted that the Township does not have a formal internal control document that details key processes and controls over each area, that is consistent with actual processes and procedures followed by the Township.

Criteria: A proper system of internal control is essential in order to prevent, detect and correct misstatements, and to ensure that such information is useful in decision-making and evaluating managerial and departmental performance, as well as demonstrating accountability and stewardship. Controls must be properly designed, in place and operating effectively to ensure that the Township's accounting and financial information is fairly stated in accordance with generally accepted accounting principles.

Effect: There are not effective internal controls in place over key areas and processes. In addition, transactions of the same type may not be processed consistently.

Cause: The Township does not have formal internal controls policies and procedures to standardize the treatment and processing of transactions, or to ensure proper management review of transactions for completeness, accuracy or consistency.

UPPER DARBY TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2022

Recommendation: We recommend that management implement a formal internal control policy and procedures document, that standardizes processes and controls amongst all Township departments, to ensure consistency in reporting and to establish effective internal controls, including segregation of duties and review and approval controls over all key areas. We recommend that the Township consider initiating a thorough review of current internal control policies and procedures and evaluate the need for changes or improvement to enhance the effectiveness and efficiency of current operations.

Management's Response: The Controller with the assistance of a third-party accounting firm are in the process of developing formal written internal controls and procedures at the department level with input from department staff.

2022-02 Interfund Balances Repeat Finding 2021-05

Condition: During the audit, it was noted that there were significant interfund balances accumulating between the Sewer Rental Fund, the Debt Service Fund and the General Fund.

Criteria: Interfund balances between funds represent temporary loans recorded and should be repaid in a timely fashion.

Effect: Accumulating interfund balances can skew year end individual fund balances and can signal cash flow deficiencies within a particular fund.

Cause: The Township does not have any policies and procedures in place to manage interfund balances.

Recommendation: We recommend that the Township examine the reason for the accumulating interfund balance to ensure repayment on a timely basis. As of December 31, 2022, the General Fund had cash on hand sufficient for the repayment of amounts due to both the Sewer Fund and the Debt Service Fund. Upon determination of the nature of the interfund balances, a decision as to whether to repay the amounts or write them off through an interfund transfer for amounts that have accumulated through December 31, 2022 should be made.

Management's Response: The Township will establish a process for the Controller to review interfund balances at month end and repay amounts shortly thereafter. In addition, the Controller will review and make a recommendation as how to address accumulated interfund balances as of December 31, 2022.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

SA 2022-01 Internal Control Policies and Procedures

Federal Agencies: U.S. Department of Housing and Urban Development and U.S. Department of Treasury
Community Development Block Grant – Assistance Listing #14.218
Coronavirus State and Local Fiscal Recovery Funds – Assistance Listing #21.027

See Finding 2022-01.

SA 2022-02 Single Audit Submission to Federal Audit Clearinghouse

Federal Agencies: U.S. Department of Housing and Urban Development and U.S. Department of Treasury
Community Development Block Grant – Assistance Listing #14.218
Coronavirus State and Local Fiscal Recovery Funds – Assistance Listing #21.027

Condition: The audit for fiscal year 2021 was not completed and submitted to the Federal Audit Clearinghouse by the appropriate due date as required by the Uniform Guidance.

UPPER DARBY TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2022

Criteria: As required by the Uniform Guidance the audit shall be completed and reporting packages shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

Effect: In accordance with the Uniform Guidance, the Township did not meet the criteria for a low-risk auditee because the audit was not filed by the due date.

Cause: Delays in the independent audit process prevented the timely filing of the audit with the Federal Audit Clearinghouse as required by the Uniform Guidance.

Recommendation: Implement procedures with the Township to ensure the timely filing of the audit with the Federal Audit Clearinghouse as required by the Uniform Guidance.

Management's Response: The Township has implemented financial policies and procedures to ensure a timely independent audit process and subsequent timely filing of the audit with the Federal Audit Clearinghouse.