



UPPER DARBY TOWNSHIP
Financial Statements
December 31, 2023
With Independent Auditor's Report

Upper Darby Township
Table of Contents
December 31, 2023

Independent Auditor's Report	1-4
Management's Discussion And Analysis	5-18
Basic Financial Statements	
Statement of Net Position (Deficit)	19
Statement of Activities	20
Balance Sheet – Governmental Funds	21
Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
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	24
Statements of Net Position – Fiduciary Funds	25
Statements of Changes in Net Position – Fiduciary Funds	26
Notes to Financial Statements	27-57
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	58-59
Budgetary Comparison Schedule – Sewer Fund	60
Budgetary Comparison Schedule – Debt Service Fund	61
Budgetary Comparison Schedule – Highway Aid Fund	62
Schedule of Changes in Police Net Pension Plan Liability	63
Schedule of Police Pension Plan Contributions	64
Schedule of Police Pension Plan Investment Returns	65
Schedule of Changes in Municipal Employees Net Pension Plan Liability	66
Schedule of Municipal Employees Pension Plan Contributions	67
Schedule of Municipal Employees Pension Plan Investment Returns	68
Schedule of Changes in Firefighters Net Pension Plan Liability	69
Schedule of Firefighters Pension Plan Contributions	70
Schedule of Firefighters Pension Plan Investment Returns	71
Schedule of Changes in OPEB Liability	72

Upper Darby Township
Table of Contents
December 31, 2023

Combining and Individual Fund Financial Statements

Combining Statement of Net Position – Fiduciary Funds	73
Combining Statement of Changes in Net Position – Fiduciary Funds	74

Other Information

Ten Year Summary of Real Estate Taxes	75
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Single Audit

Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77
Summary Schedule of Prior Audit Findings	78
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	79-80
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	81-83
Schedule of Findings and Questioned Costs	84-85

INDEPENDENT AUDITOR'S REPORT

To the Honorable Township Mayor and Members of Council of
Upper Darby Township:

Report on the Audit of the Financial Statements

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, 2023, 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 of 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, 2023, 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 98% of the assets, 99% of the net position and 100% of the revenues of the discretely presented component units and 33% of the assets and net position and 28% 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 to the financial statements, Upper Darby Township adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITAs"). 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 5 through 18, 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 58 through 72, 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.

Report on Summarized Comparative Information

Upper Darby Township's 2022 financial statements were previously audited by BBD, LLP, who joined WithumSmith+Brown, PC on April 1, 2024, and expressed unmodified audit opinions on those financial statements in their reported dated February 8, 2024, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2025, 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.

WithumSmith+Brown, PC

March 6, 2025

Upper Darby Township Management's Discussion and Analysis – Unaudited December 31, 2023

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, 2023. 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 2023 fiscal year of \$306,323,801. During the 2023 fiscal year, the Township had an increase in total net position of \$30,798,024.
- As of the close of the 2023 fiscal year, the Township's governmental funds reported combined ending fund balances of \$23,531,831, an increase of \$6,152,095 in comparison with the prior year.
- The General Fund reported an increase in fund balance of \$7,698,513, bringing the cumulative balance to \$12,579,683 or 15.00% of total General Fund expenditures and other financing uses at the conclusion of the 2023 fiscal year.
- General Fund revenues and other financing sources were \$8,493,857 or 10.22% more than budgeted amounts and General Fund expenditures and other financing uses were \$2,019,774 or 2.47% more than budgeted amounts resulting in a net positive variance of \$6,474,083.

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.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

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.

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 19 and 20 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.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

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.

The governmental fund financial statements can be found on pages 21 through 24 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 25 and 26 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 27 through 57 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 58 through 72 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 2023 fiscal year the Township's liabilities and deferred inflows exceeded assets and deferred outflows by \$306,323,801. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the Township at December 31, 2023 and 2022.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 76,426,226	\$ 68,859,400
Capital assets	<u>49,672,772</u>	<u>40,727,456</u>
Total assets	<u>126,098,998</u>	<u>109,586,856</u>
Deferred outflows of resources	<u>67,539,533</u>	<u>94,600,820</u>
Liabilities		
Current liabilities	35,302,036	42,426,915
Noncurrent liabilities	<u>288,819,911</u>	<u>308,909,475</u>
Total liabilities	<u>324,121,947</u>	<u>351,336,390</u>
Deferred inflows of resources	<u>175,840,385</u>	<u>189,973,111</u>
Net position (deficit)		
Net investment in capital assets	27,875,677	18,142,331
Restricted	10,952,148	8,432,064
Unrestricted (deficit)	<u>(345,151,626)</u>	<u>(363,696,220)</u>
Total net position (deficit)	<u>\$ (306,323,801)</u>	<u>\$ (337,121,825)</u>

The Township's total assets as of December 31, 2023 were \$126,098,998 of which \$50,970,953 or 40.42% consisted of cash and equivalents and \$49,672,722 or 39.39% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2023 were \$324,121,947 of which \$21,141,120 or 6.52% consisted of general obligation debt used to acquire and construct capital assets, \$51,521,235 or 15.90% consists of the actuarially determined net pension liability and \$209,319,795 or 64.58% consists of the actuarially determined liability for other post-employment benefits.

The Township had a deficit in unrestricted net position of \$345,151,626 at December 31, 2023. The Township's unrestricted net position increased by \$18,544,594 during 2023 primarily due to the current year results from operations and the change in actuarially determined liability for other post-employment benefits and related deferred outflows and inflows.

A portion of the Township's net position reflects its restricted net position which totaled \$10,952,148 as of December 31, 2023. All of the Township's restricted net position relate to the net position of the Township's Debt Service Fund, Sewer Fund, Capital Projects 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, 2023, the Township's net investment in capital assets increased by \$9,733,346 primarily because capital assets were acquired with funding sources other than long-term debt.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

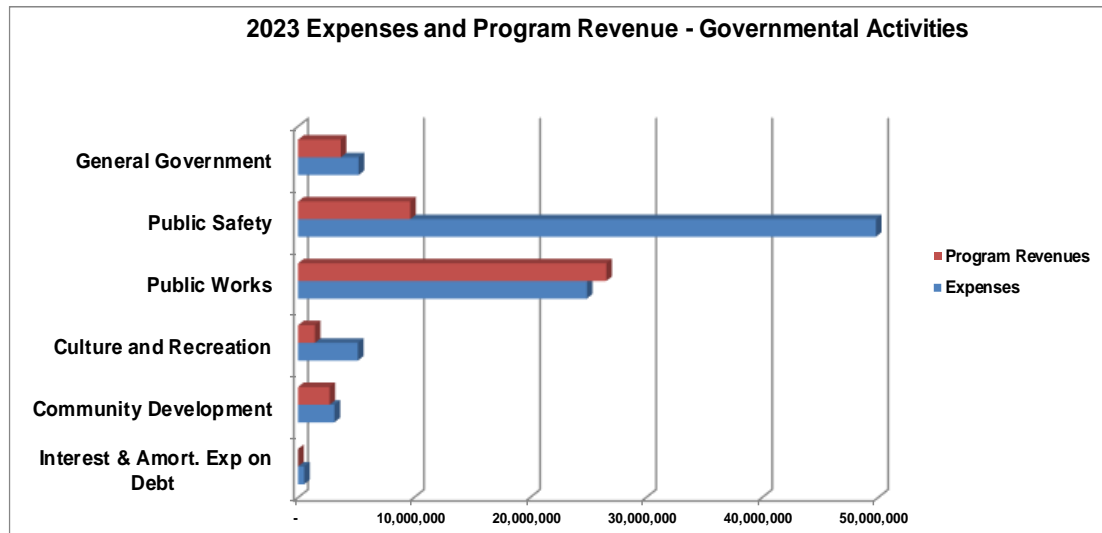
The following table presents condensed information for the *Statement of Activities* of the Township for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 29,653,987	\$ 25,650,379
Operating grants and contributions	12,266,207	16,756,979
Capital grants and contributions	7,762,798	924,821
General revenues		
Real estate taxes	59,766,151	56,176,979
Local enabling taxes	6,007,868	6,216,922
Franchise fees	971,574	1,176,734
Investment earnings	3,068,133	1,036,481
Total revenues	<u>119,496,718</u>	<u>107,939,295</u>
Expenses		
General government	5,210,132	7,667,300
Public safety	49,792,310	54,284,987
Health and human services	-	688,446
Public works	24,889,122	28,189,090
Culture and recreation	5,150,028	3,628,228
Community development	3,132,685	2,857,482
Interest and amortization expense related to noncurrent liabilities	<u>524,417</u>	<u>539,434</u>
Total expenses	<u>88,698,694</u>	<u>97,854,967</u>
Change in net position (deficit)	30,798,024	10,084,328
Net position (deficit)		
Beginning of year	<u>(337,121,825)</u>	<u>(347,206,153)</u>
End of year	<u>\$ (306,323,801)</u>	<u>\$ (337,121,825)</u>

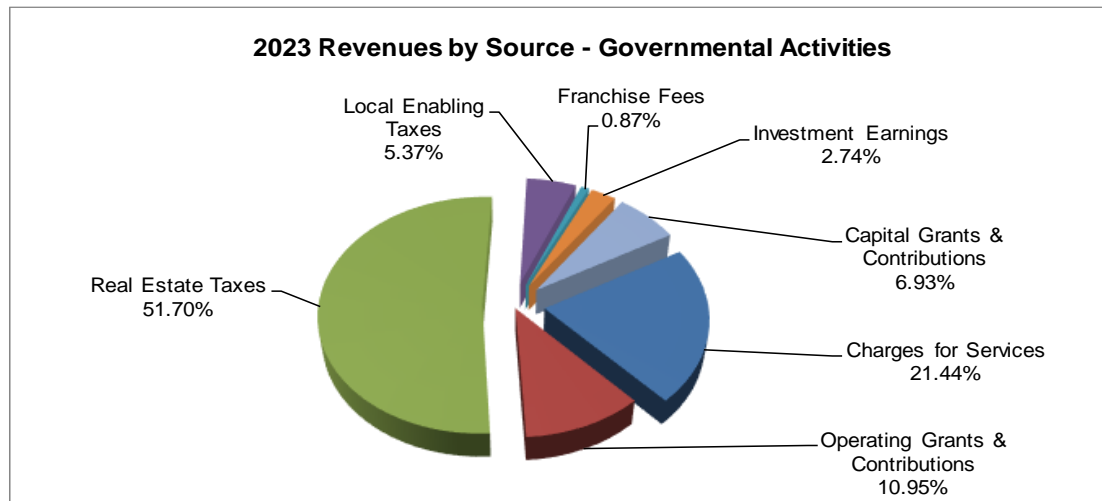
Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Township continues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

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**



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.



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, 2023, the Township's governmental funds reported a combined fund balance of \$23,531,831 which is an increase of \$6,152,095 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2023 and 2022 and the total 2023 change in governmental fund balances.

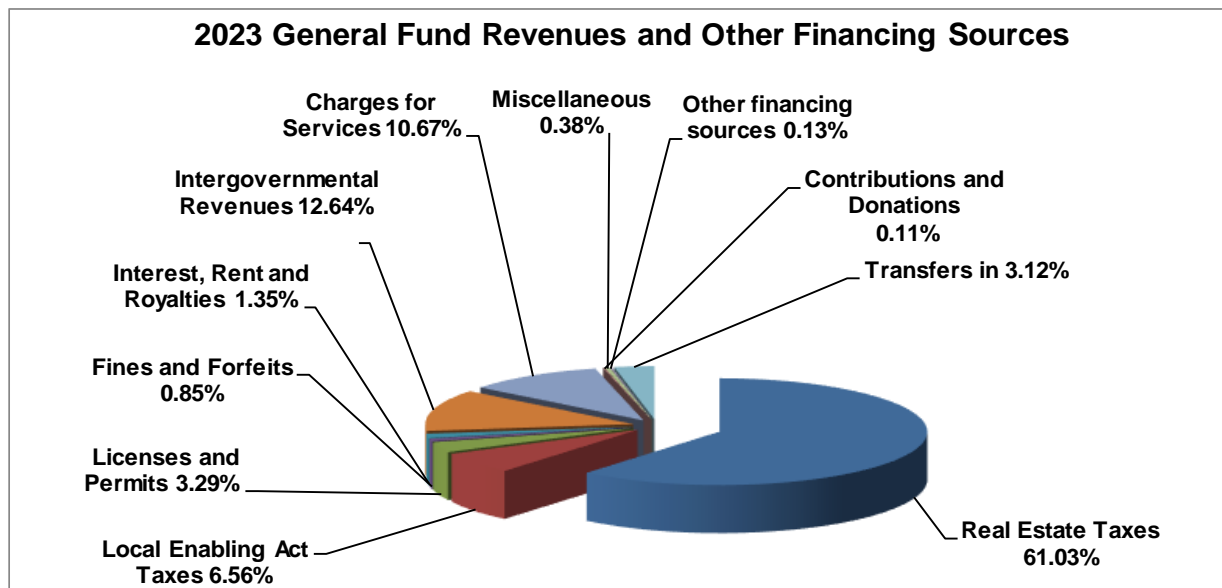
**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>
General Fund	\$ 12,579,683	\$ 4,881,170	\$ 7,698,513
Sewer Fund	5,011,533	3,863,591	1,147,942
ARPA Fund	-	525,547	(525,547)
Capital Projects Fund	2,208,922	3,540,955	(1,332,033)
Debt Service Fund	1,375,659	2,507,336	(1,131,677)
Highway Aid Fund	<u>2,356,034</u>	<u>2,061,137</u>	<u>294,897</u>
	<u>\$ 23,531,831</u>	<u>\$ 17,379,736</u>	<u>\$ 6,152,095</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2023 fiscal year the General Fund fund balance was \$12,579,683 representing an increase of \$7,698,513 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 2023 fiscal year.

The Township's reliance upon real estate tax revenues is demonstrated by the graph below that indicates 61.03% of General Fund revenues are derived from local taxes.



**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

General Fund Revenues and Other Financing Sources

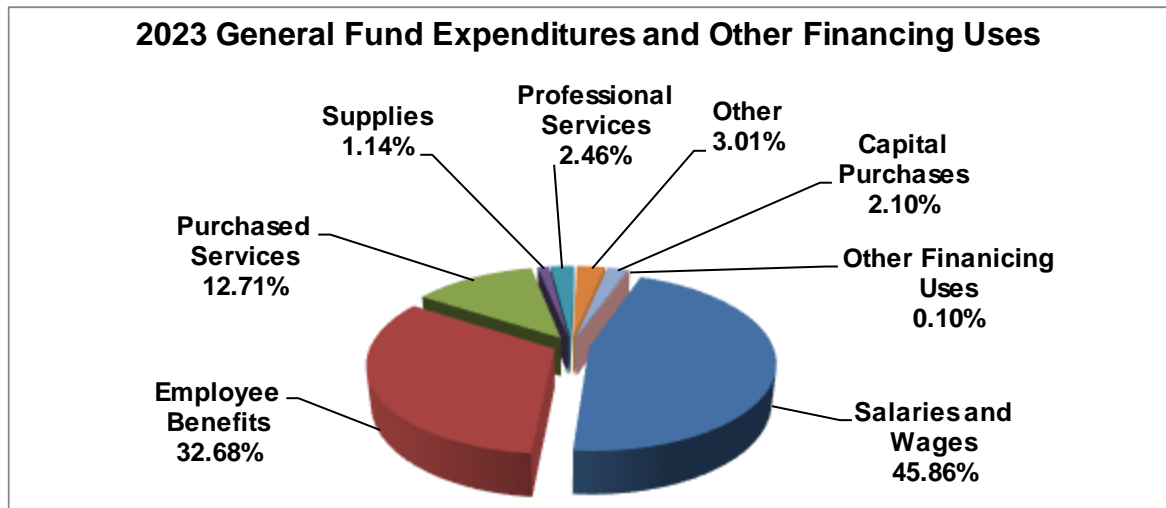
	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate taxes	\$ 55,878,750	\$ 53,312,273	\$ 2,566,477	4.81
Local enabling act taxes	6,007,868	6,216,922	(209,054)	(3.36)
Licenses and permits	2,911,765	2,997,429	(85,664)	(2.86)
Fines and forfeits	774,774	680,898	93,876	13.79
Interest, rent and royalties	1,234,945	564,669	670,276	118.70
Intergovernmental revenues	11,570,131	13,749,678	(2,179,547)	(15.85)
Charges for services	9,766,971	10,227,266	(460,295)	(4.50)
Contributions and donations	93,540	-	93,540	100.00
Miscellaneous	351,935	450,861	(98,926)	(21.94)
Other financing sources	122,034	-	122,034	100.00
Transfers in	2,853,198	24,671	2,828,527	11,464.99
	<u>\$ 91,565,911</u>	<u>\$ 88,224,667</u>	<u>\$ 3,341,244</u>	<u>3.79</u>

Real estate taxes increased by \$2,556,477 or 4.81% due to a millage increase from 13.14 mills in 2022 to 13.49 mills in 2023 or 2.66% and an increase in delinquent collections in 2023 compared to 2022.

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

Intergovernmental revenues decreased by \$2,179,547 or 15.85% primarily due to a decrease in revenue through the American Rescue Plan Act ("ARPA") as part of the grant's standard allowance for revenue loss from \$6 million in 2022 to \$2.5 million in 2023.

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, 2023**

General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 38,464,588	\$ 37,166,384	\$ 1,298,204	3.49
Employee benefits	27,407,579	25,893,823	1,513,756	5.85
Purchased services	10,661,660	11,973,464	(1,311,804)	(10.96)
Supplies	955,106	1,224,054	(268,948)	(21.97)
Professional services	2,060,803	2,656,752	(595,949)	(22.43)
Other	2,471,441	2,828,254	(356,813)	(12.62)
Capital purchases	1,761,851	1,502,056	259,795	17.30
Other financing uses	84,370	-	84,370	100.00
Transfers out	-	257,238	(257,238)	(100.00)
	<u>\$ 83,867,398</u>	<u>\$ 83,502,025</u>	<u>\$ 365,373</u>	<u>0.44</u>

Salaries and wages increased by \$1,298,204 or 3.49% in 2023 compared to 2022 related to salary increases associated with the Township's collective bargaining agreements for police, firefighters, public works and office and professional staff as well as increases for other staff.

Employee benefits increased by \$1,513,756 or 5.85% in 2023 compared to 2022 as direct result of increases related to the Township's minimum municipal obligation to fund its pensions and an increase in workers compensation premiums and claims.

Purchased services decreased by \$1,311,804 or 10.96% in 2023 compared to 2022 primarily due to a decrease in grant related expenditures including those through the Township's appropriation through the United States Department of Housing and Urban Development ("HUD").

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for financial resources restricted 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 2023, the Capital Projects Fund fund balance decreased by \$1,332,033 for a cumulative balance of \$2,208,922 as of December 31, 2023, 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, 2023, the Debt Service Fund reported a fund balance of \$1,375,659 which is a decrease of \$1,131,677 from the prior year. This was due to debt service maturities in excess of current year real estate tax revenue.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

ARPA FUND

The ARPA Fund accounts for the Township's appropriation through the American Rescue Plan Act totaling \$41,761,940. During 2023, the ARPA Fund fund balance decreased by \$525,547 representing the transfer of interest earned through December 31, 2023 to the General Fund. ARPA appropriations are deferred and recognized as revenue when the related expenditures are incurred. During 2023, the Township's deferred appropriation decreased by \$8,824,997 and totaled \$25,029,792 as of December 31, 2023. The decrease represents amounts recognized for \$2,500,000 as part of the grant's provision for standard allowance for revenue loss and \$6,324,998 in expenditures towards investments in the Township's infrastructure, equipment and vehicles and community grants to local nonprofit organizations.

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 2023, the Sewer Fund fund balance increased by \$1,147,942 for a cumulative balance of \$5,011,533 as of December 31, 2023 which is restricted for future operations.

HIGHWAY AID 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 2023, the Highway Aid Fund fund balance increased by \$294,897 for a cumulative balance of \$2,356,034 as of December 31, 2023.

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 58 and 59. 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 \$6,350,676 or 7.64% more than budgeted amounts and General Fund expenditures and other financing uses were \$2,019,774 or 2.74% more than budgeted amounts resulting in a net positive variance of \$4,330,902. Major budget highlights for 2023 were as follows:

Real estate transfer tax collections were \$1,960,638 more than budgeted amounts due to a conservative budgeting approach as this was only the second year of the enactment of the tax.

Intergovernmental revenues were \$3,482,778 more than budgeted amounts due to more than anticipated revenues for 1) the Township's appropriation from the Commonwealth of Pennsylvania for its state pension aid, 2) unbudgeted competitive grants for Township projects and initiatives and 3) amounts received under the Township's contract with the U.S. Department of Housing and Urban Development ("HUD").

Interest, rents and royalties was \$1,125,687 more than budget due to interest income in excess of budgeted amounts as a result of higher than anticipated rates and deposits on hand.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

Police expenditures were \$999,351 more than budgeted amounts due to higher than anticipated salaries and wages in part due to assumptions made during the budget process differing from those approved in the most recent collective bargaining agreement which was approved subsequent to the budget adoption and unbudgeted amounts related to grant expenditures that correlates to the more than anticipated intergovernmental revenues described above.

Fire expenditures were \$351,229 due to higher than anticipated salaries and wages, overtime, and health insurance. A budget transfer of \$796,200 was made from other departments to the fire department related to these unanticipated expenditures.

Expenditures for highway construction and rebuilding projects were \$1,200,628 and all other culture and recreation were \$544,228 more than budget due to unbudgeted amounts related to grant expenditures for Township projects and initiatives that correlates to the more than anticipated intergovernmental revenues described above.

CAPITAL ASSETS

The Township's investment in capital assets as of December 31, 2023, amounted to \$49,644,425, 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 and subscriptions. The total net increase in the Township's investment in capital assets for 2023 was \$8,901,310 or 21.85%. 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 \$12,275,879, depreciation expense was \$3,346,219 and the net book value of disposed of capital assets was \$28,350.

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

2023 road paving projects	\$ 1,726,613
Market Street streetscape and stormwater improvements	532,292
Garrett Road sidewalk social distancing	623,955
27 vehicles (police, public works)	1,140,381
Fernwood Cemetery stormwater pipe repair – construction in progress	2,015,943
Cardington recreation area trail project	544,288
Darby Creek pedestrian bridge	838,938
2023 Pierce fire pumper	765,000
2024 Western Star trash truck	269,736
Police camera equipment	315,850
Fire water rescue project	350,876
Fire breathing apparatus equipment	245,811
Storm and sanitary sewer pipe relining project	525,707

NONCURRENT LIABILITIES

As of December 31, 2023, the Township had total general obligation debt of \$21,141,120 consisting of \$20,440,000 in bonds payable and \$701,120 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 \$1,511,259 or 6.67%.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

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 \$51,521,235 and \$209,319,795, respectively, as of December 31, 2023. The net pension liability decreased by \$18,213,661 or 26.12% primarily due to positive market performance during the current year while the post-employment benefits liability increased by \$117,903 or 0.06%.

Other noncurrent liabilities consist of the Borough's liability for compensated absences and leases and subscriptions payable which totaled \$6,845,834 as of December 31, 2023. These liabilities decreased by \$474,474 or 7.36% 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 did not levy a wage or earned income tax ("EIT") on its residents or commuters who work in the Township through the 2024 budget year. However, in September 2024, the Township Council voted to approve the implementation of 1% EIT effective January 1, 2025.

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 increased 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 increased 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 increased by \$15 due to increasing waste disposal and personnel costs.

The Township continues to evaluate capital requirements for its aging infrastructure and is considering additional bond financing in late 2025 or 2026.

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, 2023

There are presently 379 full-time employees in the Township. Employees are represented by four unions, as follows: 134 employees are members of the Fraternal Order of Police ("FOP"), 58 employees are members of the International Association of Firefighters ("IAFF"), 110 employees are members of the Transport Workers Union ("TWU") and 53 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.

A newly implemented 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. Current changes in leadership in 2024 in the way of a newly elected Mayor and the hiring of new Chief Administrative Officer with decades worth of experience in financially transforming municipalities are both committed to responsible financial management of the Township.

Looking ahead to 2025, the Township will implement several initiatives to provide a stable economic future, including conducting a study with an experienced third party to ensure sewer and trash fees cover expenses; implementing a new approach to grants management with focus on return on investment factoring financial match requirements and grant administration costs; evaluating employee and retiree healthcare provisions in collective bargaining agreements and the options available; centralize a procurement and contract management process to achieve efficiencies and cost-savings; assessing capital needs and possible funding sources; and, ensure the Township's credit rating is reinstated as soon as possible.

The Township's leisure services department, which manages recreation and parks, the Upper Darby Township and Sellers Memorial Free Library, historic sites, and the Watkins Senior Center, is facing challenges due to limited staff and capacity, budget constraints, and the redesigning of internal departmental procedures. Major opportunities for improvement in the department include the development of new programs and services, community partnerships, and the integration of diverse cultural features into programming and events.

The major challenges facing the police department include a reduced ability to recruit and retain officers as fewer individuals pursue law enforcement careers. Competitive salaries and benefits are essential in hiring officers. Additionally, the police headquarters (which is over 100 years old) no longer supports the department's ever-growing needs. On the other hand, investment in modern technology, data driven tools, and infrastructure has become a great opportunity to enhance crime prevention, community safety, and operational efficiency. Continuing these investments is essential to positioning the department as a leader in public safety.

Potential future improvements to the public works department include a modernized public works yard and equipment. Aging equipment (including vehicles) has become a major challenge in the productivity of the department. The Township is working towards creating various procedures, like the new traffic calming policy, to encourage collaboration between public works and the other departments in the Township to increase productivity.

The Township fire department faces several significant challenges. One major issue is the shortage of volunteers. To tackle the shortage of volunteers, the fire department is working on offering incentives such as volunteer tax credit legislation to attract potential volunteers. Additionally, many firehouses and organizations are aging and struggling with diminishing fundraising capabilities, making it harder to maintain and upgrade essential equipment and facilities. The Township has assisted its five volunteer fire companies by using ARPA funds to pay for upgraded facilities and front-line fire apparatuses. Furthermore, revised National Fire Protection Association ("NFPA") standards and Occupational Safety and Health Administration ("OSHA") regulations for emergency response add another layer of complexity, requiring departments to adapt to new protocols and ensure compliance, often with limited resources. Staying updated with these regulations and investing in regular training sessions is crucial.

**Upper Darby Township
Management's Discussion and Analysis – Unaudited
December 31, 2023**

The administrative services department is experiencing challenges in its IT and building facilities infrastructure, including costly computer hardware replacements, software upgrades, and an overdue transition of Township data to cloud-based storage. Additionally, the HVAC, plumbing, and elevator are due for repair or replacement. However, the Township administration is continuously applying for funding and developing plans to upgrade and provide structural repairs where needed. With careful planning, these upgrades can improve efficiency, safety, and overall service delivery for the Township.

The Township is committed to providing a clean, safe and engaging community for its residents, businesses and visitors. To achieve its goals the Township commits to identifying new and significant sources of revenue and seeks partners in the private sector, community organizations and other levels of government with which it can work to advance its fiscal strength and sustainability.

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, 2023 with Summarized Comparative Totals for 2022 (as restated)

	Primary Government		Component Units	
			Upper Darby	Upper Darby
	Governmental Activities		Township Sellers	Township Weed
	2023	2022 (Restated)	Memorial Free	and Seed, Inc.
			Public Library	
Assets and Deferred Outflows of Resources				
Current assets				
Cash and equivalents	\$ 50,970,953	\$ 55,322,652	\$ 525,874	\$ 27,406
Investments	1,070,540	1,025,671	40,499	-
Receivables				
Real estate taxes	6,584,782	3,049,850	-	-
Sewer assessments	6,532,867	4,361,284	-	-
Trash	5,949,731	2,465,307	-	-
Other	1,337,560	1,065,963	-	-
Due from other governments	3,711,582	1,449,018	-	-
Prepaid expenses	268,211	119,655	65,059	-
Total current assets	<u>76,426,226</u>	<u>68,859,400</u>	<u>631,432</u>	<u>27,406</u>
Noncurrent assets				
Capital assets, net	49,672,772	40,727,456	1,099,332	-
Total noncurrent assets	<u>49,672,772</u>	<u>40,727,456</u>	<u>1,099,332</u>	<u>-</u>
Total assets	<u>126,098,998</u>	<u>109,586,856</u>	<u>1,730,764</u>	<u>27,406</u>
Deferred outflows of resources				
Deferred amount on refunding	303,032	323,234	-	-
Deferred charges - OPEB	45,254,670	56,824,363	-	-
Deferred charges - pensions	21,981,831	37,453,223	-	-
Total deferred outflows of resources	<u>67,539,533</u>	<u>94,600,820</u>	<u>-</u>	<u>-</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)				
Current liabilities				
Accounts payable	4,064,784	2,771,682	48,832	23,198
Accrued salaries, payroll withholdings and benefits	927,161	2,494,163	26,090	-
Other liabilities	3,330,372	3,306,281	-	-
Unearned revenues	26,979,719	33,854,789	-	-
Total current liabilities	<u>35,302,036</u>	<u>42,426,915</u>	<u>74,922</u>	<u>23,198</u>
Noncurrent liabilities				
Due within one year	2,088,269	1,993,004	-	-
Due in more than one year	286,731,642	306,916,471	-	-
Total noncurrent liabilities	<u>288,819,911</u>	<u>308,909,475</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>324,121,947</u>	<u>351,336,390</u>	<u>74,922</u>	<u>23,198</u>
Deferred Inflows of Resources				
Deferred credits - OPEB	166,186,112	184,269,167	-	-
Deferred credits - pensions	9,654,273	5,703,944	-	-
Total deferred inflows of resources	<u>175,840,385</u>	<u>189,973,111</u>	<u>-</u>	<u>-</u>
Net position (deficit)				
Net investment in capital assets	27,875,677	18,142,331	1,099,332	-
Restricted	10,952,148	8,432,064	-	-
Unrestricted (deficit)	<u>(345,151,626)</u>	<u>(363,696,220)</u>	<u>556,510</u>	<u>4,208</u>
Total net position (deficit)	<u>\$ (306,323,801)</u>	<u>\$ (337,121,825)</u>	<u>\$ 1,655,842</u>	<u>\$ 4,208</u>

The Notes to Financial Statements are an integral part of this statement.

**Upper Darby Township
Statement of Activities
Year Ended December 31, 2023 with Summarized Comparative Totals for 2022**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>			
	<u>Expenses</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>2023</u>	<u>2022 (Restated)</u>	<u>Upper Darby Township Sellers Memorial Free Public Library</u>	<u>Upper Darby Township Weed and Seed, Inc.</u>
Governmental activities								
General government	\$ 5,210,132	\$ 9,484	\$ 3,668,619	\$ -	\$ (1,532,029)	\$ (7,077,407)	\$ -	\$ -
Public safety	49,792,310	3,691,430	2,837,053	3,132,430	(40,131,397)	(43,239,701)	-	-
Health and human services	-	-	-	-	-	(640,168)	-	-
Public works	24,889,122	25,796,960	2,696,854	3,704,437	7,309,129	28,227	-	-
Culture and recreation	5,150,028	62,573	798,986	574,688	(3,713,781)	(3,096,855)	-	-
Community development	3,132,685	93,540	2,264,695	351,243	(423,207)	42,550	-	-
Interest and amortization expense related to noncurrent liabilities	524,417	-	-	-	(524,417)	(539,434)	-	-
Total governmental activities	<u>88,698,694</u>	<u>29,653,987</u>	<u>12,266,207</u>	<u>7,762,798</u>	<u>(39,015,702)</u>	<u>(54,522,788)</u>	<u>-</u>	<u>-</u>
Component units								
Upper Darby Township Sellers Memorial Library	1,853,123	27,649	1,888,579	-	-	-	63,105	-
Upper Darby Township Weed and Seed, Inc.	44,221	-	-	-	-	-	-	(44,221)
Total component units	<u>1,897,344</u>	<u>27,649</u>	<u>1,888,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,105</u>	<u>(44,221)</u>
Total primary government	<u>\$ 90,596,038</u>	<u>\$ 29,681,636</u>	<u>\$ 14,154,786</u>	<u>\$ 7,762,798</u>	<u>(39,015,702)</u>	<u>(54,522,788)</u>	<u>63,105</u>	<u>(44,221)</u>
General revenues								
Taxes								
Real estate taxes					59,766,151	56,176,979	-	-
Realty transfer taxes					2,710,639	2,796,826	-	-
Mercantile taxes					1,220,594	1,369,172	-	-
Business privilege taxes					1,386,212	1,309,570	-	-
Local services tax					690,423	741,354	-	-
Cable television franchise fees					971,574	1,176,734	-	-
Investment earnings					3,068,133	1,036,481	1,139	919
Total general revenues					<u>69,813,726</u>	<u>64,607,116</u>	<u>1,139</u>	<u>919</u>
Change in net position (deficit)					30,798,024	10,084,328	64,244	(43,302)
Net position (deficit)								
Beginning of year, as restated					<u>(337,121,825)</u>	<u>(347,206,153)</u>	<u>1,591,598</u>	<u>47,510</u>
End of year					<u>\$ (306,323,801)</u>	<u>\$ (337,121,825)</u>	<u>\$ 1,655,842</u>	<u>\$ 4,208</u>

The Notes to Financial Statements are an integral part of this statement.

Upper Darby Township
Balance Sheet – Governmental Funds
Year Ended December 31, 2023 with Summarized Comparative Totals for 2022

	Major Funds						Totals	
	General	Sewer	ARPA	Capital	Debt	Highway	2023	2022
	Fund	Fund	Fund	Projects	Service	Aid		
Assets								
Cash and equivalents	\$ 16,885,956	\$ 398,599	\$ 28,741,195	\$ 2,601,196	\$ -	\$ 2,344,007	\$ 50,970,953	\$ 55,322,652
Investments	1,070,540	-	-	-	-	-	1,070,540	1,025,671
Receivables								
Real estate taxes	6,415,656	-	-	-	169,126	-	6,584,782	3,049,850
Sewer assessments	-	6,532,867	-	-	-	-	6,532,867	4,361,284
Trash	5,949,731	-	-	-	-	-	5,949,731	2,465,307
Other	1,337,560	-	-	-	-	-	1,337,560	1,065,963
Due from other funds	2,278,605	4,279,907	-	-	1,300,532	34,054	7,893,098	6,195,591
Due from other governments	3,242,890	468,692	-	-	-	-	3,711,582	1,449,018
Prepaid items	268,211	-	-	-	-	-	268,211	119,655
Total assets	\$ 37,449,149	\$ 11,680,065	\$ 28,741,195	\$ 2,601,196	\$ 1,469,658	\$ 2,378,061	\$ 84,319,324	\$ 75,054,991
Liabilities, deferred inflows of resources and fund balances								
Liabilities								
Accounts payable	\$ 1,781,160	\$ 456,447	\$ 1,568,222	\$ 256,850	\$ -	2,105	\$ 4,064,784	\$ 2,771,682
Accrued salaries, payroll withholdings and benefits	886,242	20,997	-	-	-	19,922	927,161	2,494,163
Due to other funds	5,614,493	-	2,143,181	135,424	-	-	7,893,098	6,195,591
Other liabilities	3,330,372	-	-	-	-	-	3,330,372	3,306,281
Unearned revenue	1,949,927	-	25,029,792	-	-	-	26,979,719	33,854,789
Total liabilities	13,562,194	477,444	28,741,195	392,274	-	22,027	43,195,134	48,622,506
Deferred inflows of resources								
Unavailable revenues - taxes, sewer assessments and trash fees	11,307,272	6,191,088	-	-	93,999	-	17,592,359	9,052,749
Fund balances								
Nonspendable								
Prepaid items	268,211	-	-	-	-	-	268,211	119,655
Restricted								
Capital projects	-	-	-	2,208,922	-	-	2,208,922	3,540,955
Debt service	-	-	-	-	1,375,659	-	1,375,659	2,507,336
Sewer rental	-	5,011,533	-	-	-	-	5,011,533	3,863,591
Public works - highways and streets	-	-	-	-	-	2,356,034	2,356,034	2,061,137
Assigned								
ARPA interest to balance budget	2,143,181	-	-	-	-	-	2,143,181	-
Unassigned	10,168,291	-	-	-	-	-	10,168,291	5,287,062
Total fund balances	12,579,683	5,011,533	-	2,208,922	1,375,659	2,356,034	23,531,831	17,379,736
Total liabilities, deferred inflows of resources and fund balances	\$ 37,449,149	\$ 11,680,065	\$ 28,741,195	\$ 2,601,196	\$ 1,469,658	\$ 2,378,061	\$ 84,319,324	\$ 75,054,991

The Notes to Financial Statements are an integral part of this statement.

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, 2023

Total governmental fund balances	\$ 23,531,831
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	49,672,772
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.	17,592,359
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).	303,032
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.	(108,603,884)
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>(288,819,911)</u>
Net position (deficit) of governmental activities	<u>\$ (306,323,801)</u>

The Notes to Financial Statements are an integral part of this statement.

Upper Darby Township
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2023 with Summarized Comparative Totals for 2022

	Major Funds						Totals	
	General Fund	Sewer Fund	ARPA Fund	Capital Projects Fund	Debt Service Fund	Highway Aid Fund	2023	2022
Revenues								
Taxes and assessments								
Real estate taxes	\$ 55,878,750	\$ -	\$ -	\$ -	\$ 883,798	\$ -	\$ 56,762,548	\$ 55,894,891
Sewer rental assessments	-	11,355,324	-	-	-	-	11,355,324	11,572,977
Local enabling act taxes	6,007,868	-	-	-	-	-	6,007,868	6,216,922
Licenses and permits	2,911,765	-	-	-	-	-	2,911,765	2,997,429
Finds and forfeits	774,774	-	-	-	-	-	774,774	680,898
Interest, rent and royalties	1,234,945	37,147	1,617,635	156,844	-	63,831	3,110,402	1,184,964
Intergovernmental revenues	11,570,131	-	6,324,997	24,000	-	1,960,085	19,879,213	17,557,382
Charges for services	9,766,971	22,182	-	-	-	-	9,789,153	10,610,266
Contributions and donations	93,540	-	-	-	-	-	93,540	-
Miscellaneous	351,935	-	-	-	-	-	351,935	124,659
Total revenues	<u>88,590,679</u>	<u>11,414,653</u>	<u>7,942,632</u>	<u>180,844</u>	<u>883,798</u>	<u>2,023,916</u>	<u>111,036,522</u>	<u>106,840,388</u>
Expenditures								
Current								
General government	5,733,074	-	61,649	425,086	-	-	6,219,809	8,356,544
Public safety	52,380,375	-	3,086,034	138,579	-	-	55,604,988	52,243,046
Health and human services	-	-	-	-	-	-	-	687,907
Public works- sanitation	9,563,911	9,556,694	6,000	348,959	-	-	19,475,564	20,126,319
Public works - highways and streets	6,469,877	-	2,208,228	498,863	-	1,729,019	10,905,987	8,559,883
Public works - other services	1,319,936	-	-	-	-	-	1,319,936	1,045,766
Culture and recreation	6,015,402	-	41,392	101,390	-	-	6,158,184	5,498,537
Community development	2,300,453	-	921,695	-	-	-	3,222,148	3,532,432
Debt service								
Principal	-	-	-	-	1,465,000	-	1,465,000	890,000
Interest	-	-	-	-	550,475	-	550,475	565,491
Total expenditures	<u>83,783,028</u>	<u>9,556,694</u>	<u>6,324,998</u>	<u>1,512,877</u>	<u>2,015,475</u>	<u>1,729,019</u>	<u>104,922,091</u>	<u>101,505,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,807,651</u>	<u>1,857,959</u>	<u>1,617,634</u>	<u>(1,332,033)</u>	<u>(1,131,677)</u>	<u>294,897</u>	<u>6,114,431</u>	<u>5,334,463</u>
Other financing sources (uses)								
Transfers in	2,853,198	-	-	-	-	-	2,853,198	295,792
Transfers out	-	(710,017)	(2,143,181)	-	-	-	(2,853,198)	(295,792)
Proceeds from right-to-use lease arrangements	37,936	-	-	-	-	-	37,936	-
Refund of prior year revenues	(84,370)	-	-	-	-	-	(84,370)	(2,054)
Refund of prior year expenditures	84,098	-	-	-	-	-	84,098	326,202
Total other financing sources (uses)	<u>2,890,862</u>	<u>(710,017)</u>	<u>(2,143,181)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,664</u>	<u>324,148</u>
Net change in fund balances	7,698,513	1,147,942	(525,547)	(1,332,033)	(1,131,677)	294,897	6,152,095	5,658,611
Fund balances								
Beginning of year	<u>4,881,170</u>	<u>3,863,591</u>	<u>525,547</u>	<u>3,540,955</u>	<u>2,507,336</u>	<u>2,061,137</u>	<u>17,379,736</u>	<u>11,721,125</u>
End of year	<u>\$ 12,579,683</u>	<u>\$ 5,011,533</u>	<u>\$ -</u>	<u>\$ 2,208,922</u>	<u>\$ 1,375,659</u>	<u>\$ 2,356,034</u>	<u>\$ 23,531,831</u>	<u>\$ 17,379,736</u>

The Notes to Financial Statements are an integral part of this statement.

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, 2023

Net change in fund balances - governmental funds \$ 6,152,095

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	\$ 12,291,536	
Depreciation expense	<u>(3,346,220)</u>	8,945,316

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, 2022	(9,052,749)	
Deferred inflows of resources December 31, 2023	<u>17,592,359</u>	8,539,610

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	1,465,000	
Proceeds from leases payable	(37,936)	
Repayment of leases payable	484,230	
Repayment of subscriptions payable	211,062	
Amortization of bond premiums and deferred amount on refunding	<u>26,057</u>	2,148,413

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	(174,809)	
Change in net OPEB liability and related deferred inflows and outflows	6,395,459	
Change in net pension liability and related deferred inflows and outflows	<u>(1,208,060)</u>	<u>5,012,590</u>

Change in net position of governmental activities		<u>\$ 30,798,024</u>
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The Notes to Financial Statements are an integral part of this statement.

Upper Darby Township
Statements of Net Position – Fiduciary Funds
December 31, 2023 with Summarized Comparative Totals for 2022

	<u>Pension Trust Funds</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and equivalents	\$ 8,098,261	\$ 5,357,438
Investments	220,145,507	197,124,714
Contributions receivable	29,780	31,198
Interest receivable	143,068	127,881
Prepaid expenses	<u>2,974</u>	<u>2,974</u>
Total assets	<u>228,419,590</u>	<u>202,644,205</u>
Liabilities		
Accounts payable	<u>58,610</u>	<u>59,963</u>
Net position		
Assets held in trust for pension benefits	<u>\$ 228,360,980</u>	<u>\$ 202,584,242</u>

The Notes to Financial Statements are an integral part of these statements.

Upper Darby Township
Statements of Changes in Net Position – Fiduciary Funds
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022

	<u>Pension Trust Funds</u>	
	<u>2023</u>	<u>2022</u>
Additions		
Contributions		
Employer	\$ 9,248,338	\$ 8,742,046
Employee	2,554,518	2,156,165
Other	5,480	3,833
Total contributions	<u>11,808,336</u>	<u>10,902,044</u>
Investment income (loss)		
Net realized and unrealized investment losses	25,845,024	(41,775,149)
Interest and dividend income	5,665,425	4,945,277
Less: Investment expenses	<u>(578,213)</u>	<u>(606,342)</u>
Net investment income (loss)	<u>30,932,236</u>	<u>(37,436,214)</u>
Total additions	<u>42,740,572</u>	<u>(26,534,170)</u>
Deductions		
Benefit payments	16,810,222	16,104,278
Administrative expenses	<u>153,612</u>	<u>150,246</u>
Total deductions	<u>16,963,834</u>	<u>16,254,524</u>
Change in net position	25,776,738	(42,788,694)
Net position		
Beginning of year	<u>202,584,242</u>	<u>245,372,936</u>
End of year	<u>\$ 228,360,980</u>	<u>\$ 202,584,242</u>

The Notes to Financial Statements are an integral part of these statements.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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 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 the Township is responsible for funding the Pension Plans. The activities of the Pension Plans are blended as fiduciary funds. The Pension Plans issue separate audited financial statements which are available to the public through the Township office.

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, 2023

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:

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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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:

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 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.

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.

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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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 2023 was 13.49 mills (\$13.49 for \$1,000 of assessed valuation), consisting of 13.29 mills for general purposes and 0.20 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, 2023

Other taxes levied in 2023 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 wholesale gross receipts 0.15% of retail, 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. Right-to-use lease and subscription assets are reported when a qualifying liability is incurred.

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.

Leases – Lessee

The Township has entered in noncancellable leases as the lessee. The Township recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

At the commencement of a lease, the Township initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the Township determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Township uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability is composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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, 2023.

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. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refunds paid from proceeds which are reported as other financing uses.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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).

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.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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

Effective January 1, 2023, the Township adopted the provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

The objective of GASB Statement No. 94 is to improve 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the Township for the year ended December 31, 2023.

The objective of GASB Statement No. 96 is to provide 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. As a result of the implementation of GASB Statement No. 87, the Township recognized its right-to-use subscription assets and corresponding liabilities for its leases for the year ended December 31, 2023.

New Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for the Township for the year ended December 31, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Township for the year ended December 31, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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.

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, 2023, the carrying amount of the Township's deposits was \$59,069,214 and the bank balance was \$60,634,421. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$18,812,300 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, 2023, PLGIT is rated as AAA by a nationally recognized statistical rating agency.

Discretely Presented Component Units – Deposits

At December 31, 2023, the carrying amount of the Library's deposits was \$525,874 and the bank balance was \$526,294. Of the bank balance \$272,110 was covered by federal depository insurance and \$254,184 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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

At December 31, 2023, the carrying amount and bank balance of the Upper Darby Township Weed and Seed, Inc.'s deposits was \$27,406 which was covered by federal depository insurance.

Investments

As of December 31, 2023, the Township's had the following investments:

Description	Fair Value	Average Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
General Fund					
Certificate of deposit	\$ 1,070,540	\$ 1,070,540	\$ -	\$ -	\$ -
Pension Trust Funds					
Exchange-traded funds -equity	120,017,827	120,017,827	-	-	-
Exchange-traded funds -fixed	33,926,535	33,926,535	-	-	-
Mutual funds	24,289,148	24,289,148	-	-	-
Common stock	31,817,287	31,817,287	-	-	-
U.S. Treasury and agency securities	4,753,312	-	1,816,284	1,743,472	1,193,556
Corporate bonds and backed assets	5,323,954	217,569	3,469,900	1,509,397	127,088
Other	17,444	17,444	-	-	-
	<u>\$ 221,216,047</u>	<u>\$ 211,356,350</u>	<u>\$ 5,286,184</u>	<u>\$ 3,252,869</u>	<u>\$ 1,320,644</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.

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, 2023, 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, 2023.

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, 2023, the Township had no investments subject to concentration of credit risk.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

Discretely Presented Component Units – Investments

As of December 31, 2023, all of the Library’s investments were in mutual funds totaling \$40,499 and were valued using Level 1 inputs.

4. CAPITAL ASSETS

The Township’s capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023 (Restated)	Additions	Deletions	Balance December 31, 2023
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,637,840	\$ 384,135	\$ -	\$ 5,021,975
Construction in progress	<u>1,325,345</u>	<u>2,799,977</u>	<u>670,255</u>	<u>3,455,067</u>
Total capital assets not being depreciated	<u>5,963,185</u>	<u>3,184,112</u>	<u>670,255</u>	<u>8,477,042</u>
Capital assets being depreciated				
Land improvements	3,709,998	1,589,565	-	5,299,563
Buildings and improvements	19,689,584	200,642	-	19,890,226
Machinery and equipment	5,326,516	1,321,815	31,500	6,616,831
Vehicles	17,896,005	2,393,487	212,970	20,076,522
Infrastructure	35,493,144	4,234,234	-	39,727,378
Right-to-use lease assets	3,861,183	37,936	3,924	3,895,195
Right-to-use subscription assets	<u>1,053,691</u>	<u>-</u>	<u>-</u>	<u>1,053,691</u>
Total capital assets being depreciated	<u>87,030,121</u>	<u>9,777,679</u>	<u>248,394</u>	<u>96,559,406</u>
Less: Accumulated depreciation for				
Land improvements	(830,555)	(265,548)	-	(1,096,103)
Buildings and improvements	(15,282,692)	(262,722)	-	(15,545,414)
Machinery and equipment	(3,733,965)	(364,646)	(31,500)	(4,067,111)
Vehicles	(12,103,944)	(913,745)	(212,970)	(12,804,719)
Infrastructure	(18,699,902)	(943,140)	-	(19,643,042)
Right-to-use lease assets	(1,228,439)	(385,681)	(3,924)	(1,610,196)
Right-to-use subscription assets	<u>(386,353)</u>	<u>(210,738)</u>	<u>-</u>	<u>(597,091)</u>
Total accumulated depreciation	<u>(52,265,850)</u>	<u>(3,346,220)</u>	<u>(248,394)</u>	<u>(55,363,676)</u>
Total capital assets being depreciated, net	<u>34,764,271</u>	<u>6,431,459</u>	<u>-</u>	<u>41,195,730</u>
Governmental activities, net	<u>\$ 40,727,456</u>	<u>\$ 9,615,571</u>	<u>\$ 670,255</u>	<u>\$ 49,672,772</u>

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

Governmental activities	
General government	\$ 546,932
Public safety	1,033,110
Public works	1,423,056
Culture and recreation	296,225
Community development	<u>46,897</u>
Total depreciation expense - governmental activities	<u>\$ 3,346,220</u>

As of December 31, 2023, the Township had outstanding construction commitments totaling \$3,208,197.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

Discretely Presented Component Unit

The Library's capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2023</u>
Capital assets not being depreciated				
Land	\$ 464,384	-	\$ -	\$ 464,384
Construction in progress	16,372	-	16,372	-
Total capital assets not being depreciated	<u>480,756</u>	<u>-</u>	<u>16,372</u>	<u>464,384</u>
Capital assets being depreciated				
Buildings and improvements	548,458	21,003	-	569,461
Leasehold improvements	174,212	5,284	-	179,496
Furniture and equipment	433,004	7,750	30,016	410,738
Library books and material	900,009	92,199	83,233	908,975
Total capital assets being depreciated	2,055,683	126,236	113,249	2,068,670
Less: Accumulated depreciation for	<u>(1,433,431)</u>	<u>(113,540)</u>	<u>(113,249)</u>	<u>(1,433,722)</u>
Total capital assets being depreciated, net	<u>622,252</u>	<u>12,696</u>	<u>-</u>	<u>634,948</u>
Governmental activities, net	<u>\$ 1,103,008</u>	<u>\$ 12,696</u>	<u>\$ 16,372</u>	<u>\$ 1,099,332</u>

5. INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2023 is as follows:

<u>Receivable To</u>		<u>Payable From</u>	
General Fund	\$ 135,424	Capital Projects Fund	\$ 135,424
General Fund	2,143,181	ARPA Fund	2,143,181
Sewer Fund	4,279,907	General Fund	4,279,907
Debt Service Fund	1,300,532	General Fund	1,300,532
Highway Aid Fund	34,054	General Fund	34,054
	<u>\$ 7,893,098</u>		<u>\$ 7,893,098</u>

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

A summary of interfund transfers for the year ended December 31, 2023 is as follows:

<u>Transfers In</u>		<u>Transfers Out</u>	
General Fund	\$ 2,143,181	ARPA Fund	\$ 2,143,181
General Fund	710,017	Sewer Fund	710,017
	<u>\$ 2,853,198</u>		<u>\$ 2,853,198</u>

Upper Darby Township
Notes to Financial Statements
December 31, 2023

6. NONCURRENT LIABILITIES

The following summarizes the changes in the Township's noncurrent liabilities for the year ended December 31, 2023:

	<u>Balance January 1, 2023 (Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2023</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 21,905,000	\$ -	\$ 1,465,000	\$ 20,440,000	\$ 1,475,000
Bond premiums	<u>747,379</u>	<u>-</u>	<u>46,259</u>	<u>701,120</u>	<u>46,259</u>
Total general obligation debt	<u>22,652,379</u>	<u>-</u>	<u>1,511,259</u>	<u>21,141,120</u>	<u>1,521,259</u>
Other noncurrent liabilities					
Compensated absences	3,523,373	174,809	-	3,698,182	-
Leases payable	2,920,957	37,936	484,230	2,474,663	349,089
Right-to-use subscriptions payable	875,978	-	211,062	664,916	217,921
Net pension liability	69,734,896	-	18,213,661	51,521,235	-
OPEB liability	<u>209,201,892</u>	<u>117,903</u>	<u>-</u>	<u>209,319,795</u>	<u>-</u>
Total other noncurrent liabilities	<u>286,257,096</u>	<u>330,648</u>	<u>18,908,953</u>	<u>267,678,791</u>	<u>567,010</u>
Total noncurrent liabilities governmental activities	<u>\$ 308,909,475</u>	<u>\$ 330,648</u>	<u>\$ 20,420,212</u>	<u>\$ 288,819,911</u>	<u>\$ 2,088,269</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, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Original Final Maturity</u>	<u>Principal Outstanding</u>
General obligations bonds				
Series of 2021	2.000% - 4.000%	\$ 9,165,000	05/01/2040	\$ 7,880,000
Series of 2021A	0.276% - 2.826%	13,630,000	05/01/2037	<u>12,560,000</u>
Total general obligation bonds				<u>\$ 20,440,000</u>

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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>
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	1,285,000	425,611	1,710,611
2029-2032	5,675,000	1,660,873	7,335,873
2034-2038	5,615,000	905,165	6,520,165
2039-2040	2,110,000	85,200	2,195,200
	<u>\$ 20,440,000</u>	<u>\$ 5,044,126</u>	<u>\$ 25,484,126</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 \$3,769,612. As of December 31, 2023, the carrying amount of the lease liabilities was \$2,336,935. 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 \$2,227,553 as of December 31, 2023, net of accumulated amortization of \$1,542,058, 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, 2023, the carrying amount of the lease liabilities was \$77,117. 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 \$403,622 as of December 31, 2023, net of accumulated amortization of \$153,163, 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 \$125,584. As of December 31, 2023, the carrying amount of the lease liabilities was \$60,611. The leases have imputed interest rates ranging from 3.25% to 8.00% and a term of 5 years as of the contract commencement. The value of the right-to-use assets was \$57,446 as of December 31, 2023, net of accumulated amortization of \$68,138 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 agreements are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 349,089	\$ 118,863	\$ 467,952
2025	265,230	104,173	369,403
2026	265,360	91,847	357,207
2027	275,544	79,263	354,807
2028	284,811	66,080	350,891
2029-2032	1,034,629	121,410	1,156,039
	<u>\$ 2,474,663</u>	<u>\$ 581,636</u>	<u>\$ 3,056,299</u>

Upper Darby Township
Notes to Financial Statements
December 31, 2023

9. SUBSCRIPTION PAYABLE

The Township has entered into long-term agreement for a subscription-based information technology arrangement. An initial subscription liability was recorded in the amount of \$1,053,691. As of December 31, 2023, the value of the subscription liability is \$664,916. The Township is required to make an annual fixed payment of \$239,531. The subscription payable has an imputed interest rate of 3.25% and a useful life of 6 years at contract commencement. The value of the right to use asset as of December 31, 2023 of 456,600, net of accumulated amortization of \$597,091, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 217,921	\$ 21,610	\$ 239,531
2025	215,004	14,527	229,531
2026	<u>231,991</u>	<u>7,540</u>	<u>239,531</u>
	<u>\$ 664,916</u>	<u>\$ 43,677</u>	<u>\$ 708,593</u>

10. 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, 2023:

Active employees	382
Retired participants with life insurance	297
Retired participants and covered spouses with healthcare	<u>280</u>
	<u><u>959</u></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, 2023. The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 actuarial valuation through the measurement date. The OPEB liability is \$209,319,795, all of which is unfunded.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

The Township's change in total OPEB liability for the year ended December 31, 2023 was as follows:

	<u>Total OPEB Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>OPEB Liability (A) - (B)</u>
Balances as of January 1, 2023	\$ 209,201,892	\$ -	\$ 209,201,892
Changes for the year			
Service cost	8,461,735	-	8,461,735
Interest cost	8,873,490	-	8,873,490
Differences between expected and actual experience	(9,142,980)	-	(9,142,980)
Changes of assumptions	(2,795,937)	-	(2,795,937)
Employer contributions	-	5,278,405	(5,278,405)
Employee contributions	-	(5,641,296)	5,641,296
Benefit payments	(5,278,405)	362,891	(5,641,296)
Net changes	<u>117,903</u>	<u>-</u>	<u>117,903</u>
Balances as of December 31, 2023	<u>\$ 209,319,795</u>	<u>\$ -</u>	<u>\$ 209,319,795</u>

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

The following presents the OPEB liability for December 31, 2023, 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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$ 177,181,848</u>	<u>\$ 209,319,795</u>	<u>\$ 250,280,529</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 3.31%</u>	<u>Current Discount Rate 4.31%</u>	<u>1% Increase 5.31%</u>
OPEB liability	<u>\$ 253,371,848</u>	<u>\$ 209,319,795</u>	<u>\$ 176,004,972</u>

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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

For the year ended December 31, 2023, the Township recognized negative OPEB expense of \$1,117,054. At December 31, 2023, 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	\$ 45,254,670	\$ 87,803,108
Differences between expected and actual experience	-	78,383,004
	<u>\$ 45,254,670</u>	<u>\$ 166,186,112</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 Ending December 31,

2024	\$ (21,372,525)
2025	(19,515,440)
2026	(18,568,567)
2027	(16,455,833)
2028	(14,425,951)
Thereafter	<u>(30,593,126)</u>
	<u>\$ (120,931,442)</u>

Actuarial Methods and Significant Assumptions

The OPEB liability as of December 31, 2023, was determined by rolling forward the OPEB Liability as of January 1, 2023 to December 31, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 4.31%
- Inflation – 2.50%
- Salary growth – Police and Firefighters: service based, Nonuniform: 3.50% per year
- Assumed healthcare cost trends – 6.25% in year 2025 and decreasing to an ultimate trend rate of 4.60% in 2034.
- 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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

11. 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, 2023:

Active employees	130
Retirees and beneficiaries currently receiving benefits	158
Terminated plan members entitled to but not yet receiving benefits	-
	288

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
Notes to Financial Statements
December 31, 2023

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, 2023 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 7 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 9.77%. 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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	70.00%	7.80% - 8.00%
Fixed income	27.00%	5.00%
Cash and equivalents	3.00%	3.00%
Total portfolio	100.00%	6.94%

Net Pension Liability

The Township's net pension liability for the Police Pension Fund has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 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 \$24,039,449 measured as the difference between the total pension liability of \$131,431,386 and the fiduciary net position of \$107,391,937. The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2023 were as follows:

	Total Pension Liability (A)	Plan Net Fiduciary Position (B)	Net Pension Liability (A) - (B)
Balances as of January 1, 2023	\$ 128,203,119	\$ 93,786,602	\$ 34,416,517
Changes for the year			
Service cost	4,474,198	-	4,474,198
Interest cost	8,841,687	-	8,841,687
Differences between expected and actual experience	(2,195,305)	-	(2,195,305)
Employer contributions	-	5,169,270	(5,169,270)
Employee contributions	-	986,487	(986,487)
Net investment income	-	15,513,889	(15,513,889)
Benefit payments	(7,892,314)	(7,892,314)	-
Administrative and investment expenses	-	(171,998)	171,998
Net changes	3,228,266	13,605,334	(10,377,068)
Balances as of December 31, 2023	\$ 131,431,385	\$ 107,391,936	\$ 24,039,449

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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</u> <u>6.25%</u>	<u>Current Discount Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
Net pension liability	\$ 39,639,831	\$ 24,039,449	\$ 11,017,863

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

For the year ended December 31, 2023, the Township recognized pension expense of \$5,141,769. At December 31, 2023, 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	\$ 1,818,412	\$ 1,837,428
Changes in assumptions	233,193	52,030
Net difference between projected and actual earnings on pension plan investments	<u>4,235,108</u>	<u>-</u>
	<u>\$ 6,286,713</u>	<u>\$ 1,889,458</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 ending December 31,

2024	\$ 1,144,155
2025	2,557,038
2026	3,156,676
2027	(2,157,814)
2028	<u>(302,800)</u>
	<u>\$ 4,397,255</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

Upper Darby Township
Notes to Financial Statements
December 31, 2023

- Mortality rates – Pub-2010 safety amount-weighted mortality tables, projected from 2010 with mortality improvement scale MP-2021.

Deferred Retirement Option Program

The Plan provides a Deferred Retirement Option Plan (“DROP”) provision in accordance with Act 44 with a maximum participation period of twenty-four months. The DROP benefit shall accumulate in the pension plan without accruing interest. An officer entering DROP shall have longevity payments frozen at the level in effect at the time of their DROOP entry date. If an officer reaches mandatory retirement age during their DROP period, they shall be permitted to complete their DROP participation before separating from employment.

If an officer incurs a service-connected disability while in DROP and is deemed to be permanently disabled and entitled to a service-connection disability benefit from the pension plan, the monthly normal retirement benefit of the DROP participant shall be reclassified as being on account of a service-connected disability. In no event shall a DROP participant’s monthly retirement benefit be recalculated. Instead, they shall continue to receive the same benefit to which they became entitled at the time of entry into DROP. The DROP provision will expire on December 31, 2024. As of December 31, 2023, the value of plan assets held for individuals participating in DROP was \$214,704.

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, 2023:

Active employees	189
Retirees and beneficiaries currently receiving benefits	152
Terminated plan members entitled to but not yet receiving benefits	17
	358

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.

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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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, 2023 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) 2.25% 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 7.25%. 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 14.30%. 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
Notes to Financial Statements
December 31, 2023

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

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

Net Pension Liability

The Township's net pension liability for the Municipal Employees Pension Plan has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 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 \$15,266,785 measured as the difference between the total pension liability of \$89,462,192 and the fiduciary net position of \$74,195,407.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2023 were as follows:

	Total Pension Liability (A)	Plan Net Fiduciary Position (B)	Net Pension Liability (A) - (B)
Balances as of January 31, 2023	\$ 89,285,874	\$ 67,713,125	\$ 21,572,749
Changes for the year			
Service cost	1,525,104	-	1,525,104
Interest cost	6,606,641	-	6,606,641
Differences between expected and actual experience	(4,362,044)	-	(4,362,044)
Employer contributions	-	1,910,255	(1,910,255)
Employee contributions	-	770,661	(770,661)
Other income	-	5,480	(5,480)
Changes in assumptions/net investment income	1,951,734	9,419,925	(7,468,191)
Benefit payments	(5,545,117)	(5,545,117)	-
Administrative expense	-	(78,922)	78,922
Net changes	176,318	6,482,282	(6,305,964)
Balances as of December 31, 2023	\$ 89,462,192	\$ 74,195,407	\$ 15,266,785

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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	\$ 25,662,350	\$ 15,266,785	\$ 6,554,701

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

For the year ended December 31, 2023, the Township recognized pension expense of \$745,560. At December 31, 2023, 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	\$ 706,213	\$ 7,298,660
Changes in assumptions	3,545,940	312,812
Net difference between projected and actual earnings on pension plan investments	<u>5,587,254</u>	<u>-</u>
	<u>\$ 9,839,407</u>	<u>\$ 7,611,472</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 Ending December 31,

2024	\$ 737,074
2025	1,234,190
2026	2,075,295
2027	(1,279,161)
2028	(195,133)
Thereafter	<u>(344,330)</u>
	<u>\$ 2,227,935</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.25% (net of pension plan expense, including inflation)
- Discount rate – 7.25%. The discount rate changed from 7.50% to 7.25%.
- Inflation – 2.25%
- Salary increases – 3.50% - 4.75% per year

Upper Darby Township
Notes to Financial Statements
December 31, 2023

- 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 scape 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, 2023:

Active employees	56
Retirees and beneficiaries currently receiving benefits	43
Terminated plan members entitled to but not yet receiving benefits	-
	99

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.

Upper Darby Township
Notes to Financial Statements
December 31, 2023

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, 2023 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.

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 19.50%. 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:

Upper Darby Township
Notes to Financial Statements
December 31, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	65.00%	7.80% - 8.00%
Fixed income	32.00%	5.00%
Cash and equivalents	3.00%	3.00%
Total portfolio	<u>100.00%</u>	<u>6.80%</u>

Net Pension Liability

The Township's net pension liability for the Firefighters Pension Plan has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 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 \$12,215,001 measured as the difference between the total pension liability of \$58,988,638 and the fiduciary net position of \$46,773,637.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2023 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Net Fiduciary Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Balances as of January 1, 2023	<u>\$ 54,830,145</u>	<u>\$ 41,084,515</u>	<u>\$ 13,745,630</u>
Changes for the year			
Service cost	1,329,594	-	1,329,594
Interest cost	3,676,951	-	3,676,951
Differences between expected and actual experience	2,524,739	-	2,524,739
Employer contributions	-	2,168,813	(2,168,813)
Employee contributions	-	797,370	(797,370)
Net investment income	-	6,142,938	(6,142,938)
Benefit payments	(3,372,791)	(3,372,791)	-
Administrative expense	-	(47,208)	47,208
Net changes	<u>4,158,493</u>	<u>5,689,122</u>	<u>(1,530,629)</u>
Balances as of December 31, 2023	<u>\$ 58,988,638</u>	<u>\$ 46,773,637</u>	<u>\$ 12,215,001</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:

Upper Darby Township
Notes to Financial Statements
December 31, 2023

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current Discount Rate</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
Net pension liability	<u>\$ 19,284,245</u>	<u>\$ 12,215,001</u>	<u>\$ 6,230,494</u>

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

For the year ended December 31, 2023, the Township recognized pension expense of \$2,534,560. At December 31, 2023, 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	\$ 3,621,832	\$ 153,343
Changes in assumptions	180,785	-
Net difference between projected and actual earnings on pension plan investments	<u>2,053,094</u>	<u>-</u>
	<u>\$ 5,855,711</u>	<u>\$ 153,343</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 ending December 31,

2024	\$ 1,692,654
2025	1,819,122
2026	2,279,727
2027	<u>(89,135)</u>
	<u>\$ 5,702,368</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

Upper Darby Township
Notes to Financial Statements
December 31, 2023

12. 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.

13. 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 2023. 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.

14. CHANGE IN ACCOUNTING ESTIMATE

The Township periodically reviews their assumptions surrounding accounting estimates. This review during 2023 indicated the allowances on collection of long-term receivables required a reduction. As a result, the Township reduced the allowances for delinquent tax, trash, and sewer receivables.

The effect of this change in estimate was to reduce increase receivables and increase unavailable revenues by \$7,509,222 on the Governmental Funds Balance Sheet and increase 2023 revenue from real estate taxes by \$1,979,522, increase 2023 revenue from charges for services in public works by \$5,529,700, and increase 2023 change in net position by \$7,509,222 on the Statement of Activities.

15. PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 96 "*Subscription-Based Information Technology Arrangements*", the Township made a prior period adjustment to record net position for its right-to-use subscription assets and associated subscription liabilities.

These prior period adjustments and its effect on net position at January 1, 2023 was an increase in net capital assets of \$667,338 and an increase in noncurrent liabilities of \$875,978. There was no impact on the fund financial statements as a result of implementation of GASB Statement No. 96.

**Upper Darby Township
Notes to Financial Statements
December 31, 2023**

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 2025, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Upper Darby Township
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues				
Taxes				
Real estate taxes	\$ 56,735,766	\$ 56,735,766	\$ 55,878,750	\$ (857,016)
Local enabling act taxes				
Real estate transfer taxes	750,000	750,000	2,710,638	1,960,638
Mercantile taxes	1,442,403	1,442,403	1,220,594	(221,809)
Business privilege taxes	996,397	996,397	1,386,212	389,815
Local services tax	<u>710,000</u>	<u>710,000</u>	<u>690,424</u>	<u>(19,576)</u>
Total taxes	60,634,566	60,634,566	61,886,618	1,252,052
Licenses and permits	2,662,423	2,662,423	2,911,765	249,342
Fines and forfeits	669,010	669,010	774,774	105,764
Interest, rents and royalties	109,258	109,258	1,234,945	1,125,687
Intergovernmental revenues	8,087,353	8,087,353	11,570,131	3,482,778
Charges for services	9,820,345	9,820,345	9,766,971	(53,374)
Contributions and donations	80,000	80,000	93,540	13,540
Miscellaneous	<u>200,000</u>	<u>200,000</u>	<u>351,935</u>	<u>151,935</u>
Total revenues	<u>82,262,955</u>	<u>82,262,955</u>	<u>88,590,679</u>	<u>6,327,724</u>
Expenditures				
Current				
General government				
Legislative	360,587	360,587	272,637	87,950
Executive	141,960	141,960	114,445	27,515
Auditing services/financial administration	1,784,361	1,868,361	1,927,182	(58,821)
Solicitor/legal services	285,079	403,079	426,098	(23,019)
Secretary/clerk	784,877	784,877	555,445	229,432
Other general government administration	1,871,775	1,871,775	1,589,425	282,350
IT-networking services-data processing	445,144	445,144	325,225	119,919
General government buildings and plant	<u>580,677</u>	<u>580,677</u>	<u>522,617</u>	<u>58,060</u>
Total general government	<u>6,254,460</u>	<u>6,456,460</u>	<u>5,733,074</u>	<u>723,386</u>
Public safety				
Police	32,453,301	32,453,301	33,452,652	(999,351)
Fire	14,993,694	15,789,894	16,141,123	(351,229)
UCC and code enforcement	2,666,272	2,666,272	2,644,042	22,230
Planning and zoning	<u>107,336</u>	<u>107,336</u>	<u>142,558</u>	<u>(35,222)</u>
Total public safety	<u>50,220,603</u>	<u>51,016,803</u>	<u>52,380,375</u>	<u>(1,363,572)</u>
Public works - sanitation				
Recycling collection and disposal	51,775	51,775	251,336	(199,561)
Solid waste collection and disposal	<u>10,156,083</u>	<u>9,609,985</u>	<u>9,312,575</u>	<u>297,410</u>
Total public works -sanitation	<u>10,207,858</u>	<u>9,661,760</u>	<u>9,563,911</u>	<u>97,849</u>

See Independent Auditor's Report.

**Upper Darby Township
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Public works - highways and streets				
General services - administration	\$ 3,269,366	\$ 2,928,878	\$ 2,884,141	\$ 44,737
Cleaning of streets and gutters	660,569	660,569	695,873	(35,304)
Traffic control devices	24,000	24,000	32,513	(8,513)
Street lighting	1,230,121	1,211,587	1,175,217	36,370
Highway construction and rebuilding projects	<u>481,505</u>	<u>481,505</u>	<u>1,682,133</u>	<u>(1,200,628)</u>
Total public works -highways and streets	<u>5,665,561</u>	<u>5,306,539</u>	<u>6,469,877</u>	<u>(1,163,338)</u>
Public works - other services				
Parking	<u>1,152,963</u>	<u>1,306,463</u>	<u>1,319,936</u>	<u>(13,473)</u>
Culture and recreation				
Culture and recreation - administration	1,041,346	1,041,346	803,676	237,670
Parks	2,870,074	2,551,144	2,468,273	82,871
Libraries	1,516,722	1,516,722	1,541,722	(25,000)
Senior citizens' centers	712,776	712,776	657,503	55,273
All other culture and recreation	<u>-</u>	<u>-</u>	<u>544,228</u>	<u>(544,228)</u>
Total culture and recreation	<u>6,140,918</u>	<u>5,821,988</u>	<u>6,015,402</u>	<u>(193,414)</u>
Community development				
Community development and housing	<u>2,175,261</u>	<u>2,175,261</u>	<u>2,300,453</u>	<u>(125,192)</u>
Total expenditures	<u>81,817,624</u>	<u>81,745,274</u>	<u>83,783,028</u>	<u>(2,037,754)</u>
Excess deficiency of revenues over (under) expenditures	<u>445,331</u>	<u>517,681</u>	<u>4,807,651</u>	<u>4,289,970</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	20,000	20,000	-	(20,000)
Proceeds from right-to-use lease arrangements	-	-	37,936	37,936
Transfers in	629,099	629,099	2,853,198	2,224,099
Refund of prior year revenues	(30,000)	(102,350)	(84,370)	17,980
Refunds of prior year expenditures	<u>160,000</u>	<u>160,000</u>	<u>84,098</u>	<u>(75,902)</u>
Total other financing sources (uses)	<u>779,099</u>	<u>706,749</u>	<u>2,890,862</u>	<u>2,184,113</u>
Net change in fund balance	<u>\$ 1,224,430</u>	<u>\$ 1,224,430</u>	7,698,513	<u>\$ 6,474,083</u>
Fund balance				
Beginning of year			<u>4,881,170</u>	
End of year			<u>\$ 12,579,683</u>	

See Independent Auditor's Report.

**Upper Darby Township
Budgetary Comparison Schedule – Sewer Fund
Year Ended December 31, 2023**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Sewer rental assessments	\$ 12,111,460	\$ 11,355,324	\$ (756,136)
Interest, rent and royalties	100	37,147	37,047
Charges for services	<u>-</u>	<u>22,182</u>	<u>22,182</u>
Total revenues	<u>12,111,560</u>	<u>11,414,653</u>	<u>(696,907)</u>
Expenditures			
Current			
Public works - sanitation			
Wastewater/sewage collection and treatment	<u>11,482,462</u>	<u>9,556,694</u>	<u>1,925,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>629,098</u>	<u>1,857,959</u>	<u>(2,622,675)</u>
Other financial sources (uses)			
Transfers out	<u>(629,098)</u>	<u>(710,017)</u>	<u>80,919</u>
Net change in fund balance	<u>\$ -</u>	1,147,942	<u>\$ (2,541,756)</u>
Fund balance			
Beginning of year		<u>3,863,591</u>	
End of year		<u>\$ 5,011,533</u>	

See Independent Auditor's Report.

**Upper Darby Township
 Budgetary Comparison Schedule – Debt Service Fund
 Year Ended December 31, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Real estate taxes	\$ 822,304	\$ 883,798	\$ 61,494
Expenditures			
Debt service			
Principal	1,465,000	1,465,000	-
Interest	<u>550,475</u>	<u>550,475</u>	<u>-</u>
Total expenditures	<u>2,015,475</u>	<u>2,015,475</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,193,171</u>	(1,131,677)	<u>\$ 61,494</u>
Fund balance			
Beginning of year		<u>2,507,336</u>	
End of year		<u>\$ 1,375,659</u>	

See Independent Auditor's Report.

**Upper Darby Township
 Budgetary Comparison Schedule – Highway Aid Fund
 Year Ended December 31, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Interest rent and royalties	\$ 3,000	\$ 63,831	\$ 60,831
Intergovernmental revenues	<u>1,927,650</u>	<u>1,960,085</u>	<u>32,435</u>
Total revenues	<u>1,930,650</u>	<u>2,023,916</u>	<u>93,266</u>
Expenditures			
Current			
Public works - highways and streets	<u>1,930,650</u>	<u>1,729,019</u>	<u>201,631</u>
Net change in fund balance	<u>\$ -</u>	294,897	<u>\$ 108,365</u>
Fund balance			
Beginning of year		<u>2,061,137</u>	
End of year		<u>\$ 2,356,034</u>	

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Changes in Police Net Pension Plan Liability
Year Ended December 31**

	<u>2023</u>	<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>
Total pension liability										
Service cost	\$ 4,474,198	\$ 3,993,654	\$ 3,858,603	\$ 4,208,914	\$ 4,069,721	\$ 3,829,248	\$ 3,655,606	\$ 3,666,355	\$ 3,349,022	\$ 3,189,543
Interest cost	8,841,687	8,657,764	8,328,007	7,685,231	7,321,920	7,650,631	7,212,605	6,951,797	6,367,532	5,987,854
Differences between expected and actual experience	(2,195,305)	-	4,296,525	3,248	(285,059)	(45,695)	(2,733,364)	-	(4,040,837)	-
Changes of assumptions	-	-	114,833	(258,094)	2,551,487	(5,763,975)	249,081	-	8,907,859	-
Benefit payments	<u>(7,892,314)</u>	<u>(7,731,468)</u>	<u>(7,545,001)</u>	<u>(6,824,575)</u>	<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>
Net change in total pension liability	3,228,266	4,919,950	9,052,967	4,814,724	7,721,750	281,602	3,340,021	6,124,857	10,122,629	4,775,480
Total pension liability, beginning	<u>128,203,119</u>	<u>123,283,169</u>	<u>114,230,202</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>	<u>77,049,139</u>
Total pension liability, ending	<u>\$ 131,431,385</u>	<u>\$ 128,203,119</u>	<u>\$ 123,283,169</u>	<u>\$ 114,230,202</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>
Plan fiduciary net position										
Employer contributions	\$ 5,169,270	\$ 4,792,035	\$ 4,514,170	\$ 4,518,637	\$ 4,975,380	\$ 5,726,733	\$ 4,711,803	\$ 4,538,737	\$ 5,012,337	\$ 4,843,478
Employee contributions	986,487	866,145	848,134	688,328	843,661	836,447	754,436	859,918	777,447	743,812
Net investment income (loss)	15,513,889	(17,681,708)	13,603,188	14,021,200	16,022,504	(4,747,288)	11,309,664	5,161,225	(437,319)	4,086,233
Benefit payments	(7,892,314)	(7,731,468)	(7,545,001)	(6,824,575)	(5,936,319)	(5,388,607)	(5,043,907)	(4,493,295)	(4,460,947)	(4,401,917)
Administrative and investment expenses	<u>(171,998)</u>	<u>(184,658)</u>	<u>(379,671)</u>	<u>(329,157)</u>	<u>(327,575)</u>	<u>(338,662)</u>	<u>(322,586)</u>	<u>(263,278)</u>	<u>(292,272)</u>	<u>(56,143)</u>
Net change in plan fiduciary net position	13,605,334	(19,939,654)	11,040,820	12,074,433	15,577,651	(3,911,377)	11,409,410	5,803,307	599,246	5,215,463
Fiduciary net position, beginning	<u>93,786,602</u>	<u>113,726,256</u>	<u>102,685,436</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>55,917,303</u>
Fiduciary net position, ending	<u>\$ 107,391,936</u>	<u>\$ 93,786,602</u>	<u>\$ 113,726,256</u>	<u>\$ 102,685,436</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>
Net pension liability	<u>\$ 24,039,449</u>	<u>\$ 34,416,517</u>	<u>\$ 9,556,913</u>	<u>\$ 11,544,766</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>
Fiduciary net position as a % of total pension liability	81.71%	73.15%	92.25%	89.89%	82.81%	73.78%	77.85%	68.86%	67.14%	74.71%
Covered payroll	\$ 18,467,660	\$ 14,994,634	\$ 14,334,142	\$ 15,172,803	\$ 14,927,595	\$ 15,280,806	\$ 14,474,564	\$ 14,304,153	\$ 13,841,548	\$ 12,930,104
Net pension liability as a % of covered payroll	130.17%	229.53%	66.67%	76.09%	125.97%	174.47%	155.22%	213.48%	218.29%	160.03%

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Police Pension Plan Contributions
Year Ended December 31**

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2023	5,169,270	5,169,270	-	18,467,660	27.99%

See Independent Auditor's Report.

**Upper Darby Township
 Schedule of Police Pension Plan Investment Returns
 Year Ended December 31**

	<u>2023</u>	<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>16.87%</u>	<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>

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Changes in Municipal Employees Net Pension Plan Liability
Year Ended December 31**

	<u>2023</u>	<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>
Total pension liability										
Service cost	\$ 1,525,104	\$ 1,511,014	\$ 1,657,901	\$ 1,716,306	\$ 1,734,361	\$ 1,667,557	\$ 1,436,443	\$ 1,531,882	\$ 1,364,058	\$ 1,328,842
Interest cost	6,606,641	6,420,424	6,506,650	6,263,543	6,009,012	5,576,474	5,432,696	5,413,416	4,981,253	4,827,925
Differences between expected and actual experience	(4,362,044)	-	(3,527,228)	-	1,473,838	(645,678)	(3,003,293)	(612,438)	(1,340,172)	(699,869)
Changes of assumptions	1,951,734	-	(559,769)	-	913,344	3,763,027	-	-	-	-
Benefit payments	<u>(5,545,117)</u>	<u>(5,383,092)</u>	<u>(4,788,353)</u>	<u>(4,575,531)</u>	<u>(4,096,266)</u>	<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>
Net change in total pension liability	176,318	2,548,346	(710,799)	3,404,318	6,034,289	6,590,068	94,899	2,886,433	1,823,712	1,752,301
Total pension liability, beginning	<u>89,285,874</u>	<u>86,737,528</u>	<u>87,448,327</u>	<u>84,044,009</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>	<u>64,862,307</u>
Total pension liability, ending	<u>\$ 89,462,192</u>	<u>\$ 89,285,874</u>	<u>\$ 86,737,528</u>	<u>\$ 87,448,327</u>	<u>\$ 84,044,009</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>
Plan fiduciary net position										
Employer contributions	\$ 1,910,255	\$ 1,848,170	\$ 2,000,610	\$ 2,032,743	\$ 1,062,470	\$ 1,019,287	\$ 962,580	\$ 907,281	\$ 873,334	\$ 896,788
Employee contributions	770,661	797,119	717,835	739,882	776,067	761,528	728,513	766,948	691,270	653,919
Other income	5,480	3,833	-	-	-	-	-	10,787	7,055	-
Net investment income	9,419,925	(12,482,007)	9,243,000	7,636,934	11,502,809	(3,979,837)	9,035,734	2,380,341	110,645	4,486,461
Benefit payments	(5,545,117)	(5,383,092)	(4,788,353)	(4,575,531)	(4,096,266)	(3,771,312)	(3,770,947)	(3,446,427)	(3,181,428)	(3,714,872)
Administrative expense	<u>(78,922)</u>	<u>(83,015)</u>	<u>(36,549)</u>	<u>(54,715)</u>	<u>(64,437)</u>	<u>(68,967)</u>	<u>(60,639)</u>	<u>(68,786)</u>	<u>(87,785)</u>	<u>(43,500)</u>
Net change in plan fiduciary net position	6,482,282	(15,298,992)	7,136,543	5,779,313	9,180,643	(6,039,301)	6,895,241	550,144	(1,586,909)	2,278,796
Fiduciary net position, beginning	<u>67,713,125</u>	<u>83,012,117</u>	<u>75,875,574</u>	<u>70,096,261</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>58,817,647</u>
Fiduciary net position, ending	<u>\$ 74,195,407</u>	<u>\$ 67,713,125</u>	<u>\$ 83,012,117</u>	<u>\$ 75,875,574</u>	<u>\$ 70,096,261</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>
Net pension liability	<u>\$ 15,266,785</u>	<u>\$ 21,572,749</u>	<u>\$ 3,725,411</u>	<u>\$ 11,572,753</u>	<u>\$ 13,947,748</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>
Fiduciary net position as a % of total pension liability	82.93%	75.84%	95.70%	86.77%	83.40%	78.09%	93.75%	84.21%	86.95%	91.72%
Covered payroll	\$ 12,591,402	\$ 12,374,092	\$ 11,867,356	\$ 13,157,501	\$ 12,621,104	\$ 12,141,067	\$ 11,694,804	\$ 11,658,330	\$ 11,142,155	\$ 10,551,801
Net pension liability (asset) as a % of covered payroll	121.25%	174.34%	31.39%	87.96%	110.51%	140.80%	38.18%	96.63%	80.14%	52.30%

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Municipal Employees Pension Plan Contributions
Year Ended December 31**

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2023	1,910,255	1,910,255	-	12,591,402	15.17%

See Independent Auditor's Report.

**Upper Darby Township
 Schedule of Municipal Employees Plan Investment Returns
 Year Ended December 31**

	<u>2023</u>	<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>14.30%</u>	<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>

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Changes in Firefighters Net Pension Plan Liability
Year Ended December 31**

	<u>2023</u>	<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>
Total pension liability										
Service cost	\$ 1,329,594	\$ 1,155,881	\$ 1,160,084	\$ 935,559	\$ 960,129	\$ 910,894	\$ 930,306	\$ 848,744	\$ 832,869	\$ 880,824
Interest cost	3,676,951	3,538,931	3,217,125	3,105,447	2,701,881	2,663,029	2,432,481	2,379,778	2,258,285	2,036,876
Differences between expected and actual experience	2,524,739	357,471	3,097,394	(563,856)	2,616,887	(449,968)	119,120	(309,056)	(551,095)	(529)
Changes of assumptions	-	-	-	-	1,185,147	-	970,160	-	-	-
Benefit payments	<u>(3,372,791)</u>	<u>(2,989,718)</u>	<u>(2,416,106)</u>	<u>(1,678,247)</u>	<u>(1,243,211)</u>	<u>(1,133,984)</u>	<u>(1,144,224)</u>	<u>(1,007,436)</u>	<u>(752,903)</u>	<u>(697,458)</u>
Net change in total pension liability	4,158,493	2,062,565	5,058,497	1,798,903	6,220,833	1,989,971	3,307,843	1,912,030	1,787,156	2,219,713
Total pension liability, beginning	<u>54,830,145</u>	<u>52,767,580</u>	<u>47,709,083</u>	<u>45,910,180</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>	<u>28,472,634</u>
Total pension liability, ending	<u>\$ 58,988,638</u>	<u>\$ 54,830,145</u>	<u>\$ 52,767,580</u>	<u>\$ 47,709,083</u>	<u>\$ 45,910,180</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>
Plan fiduciary net position										
Employer contributions	\$ 2,168,813	\$ 2,101,841	\$ 2,543,984	\$ 2,060,501	\$ 2,128,047	\$ 1,631,536	\$ 1,586,677	\$ 1,515,976	\$ 1,125,538	\$ 1,069,622
Employee contributions	797,370	492,901	441,643	389,125	436,575	416,389	365,555	394,308	367,743	357,305
Other income	-	-	-	-	-	3,585	191,293	-	-	-
Net investment income (loss)	6,142,938	(7,123,947)	5,019,496	5,681,224	5,607,695	(1,777,464)	3,767,421	1,750,732	(271,486)	1,163,102
Benefit payments	<u>(3,372,791)</u>	<u>(2,989,718)</u>	<u>(2,416,106)</u>	<u>(1,678,247)</u>	<u>(1,243,211)</u>	<u>(1,133,984)</u>	<u>(1,144,224)</u>	<u>(1,007,436)</u>	<u>(752,903)</u>	<u>(697,458)</u>
Administrative expense	<u>(47,208)</u>	<u>(31,125)</u>	<u>(15,050)</u>	<u>(29,576)</u>	<u>(32,575)</u>	<u>(24,936)</u>	<u>(28,185)</u>	<u>(31,094)</u>	<u>(32,046)</u>	<u>(33,907)</u>
Net change in plan fiduciary net position	5,689,122	(7,550,048)	5,573,967	6,423,027	6,896,531	(884,874)	4,738,537	2,622,486	436,846	1,858,664
Fiduciary net position, beginning	<u>41,084,515</u>	<u>48,634,563</u>	<u>43,060,596</u>	<u>36,637,569</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>20,969,379</u>
Fiduciary net position, ending	<u>\$ 46,773,637</u>	<u>\$ 41,084,515</u>	<u>\$ 48,634,563</u>	<u>\$ 43,060,596</u>	<u>\$ 36,637,569</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>
Net pension liability	<u>\$ 12,215,001</u>	<u>\$ 13,745,630</u>	<u>\$ 4,133,017</u>	<u>\$ 4,648,487</u>	<u>\$ 9,272,611</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>
Fiduciary net position as a % of total pension liability	79.29%	74.93%	92.17%	90.26%	79.80%	74.93%	81.24%	75.27%	71.63%	74.38%
Covered payroll	\$ 8,016,990	\$ 7,914,278	\$ 6,998,589	\$ 7,565,378	\$ 7,226,128	\$ 6,854,800	\$ 6,149,717	\$ 6,434,030	\$ 6,142,272	\$ 5,863,744
Net pension liability as a % of covered payroll	152.36%	173.68%	59.06%	61.44%	128.32%	145.13%	115.02%	132.17%	150.02%	134.12%

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Firefighters Pension Plan Contributions
Year Ended December 31**

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2023	2,168,813	2,168,813	-	8,016,990	27.05%

See Independent Auditor's Report.

**Upper Darby Township
 Schedule of Firefighters Plan Investment Returns
 Year Ended December 31**

	<u>2023</u>	<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>19.50%</u>	<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>

See Independent Auditor's Report.

**Upper Darby Township
Schedule of Changes in OPEB Liability
Year Ended December 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability							
Service cost	\$ 8,461,735	\$ 12,032,428	\$ 12,783,923	\$ 12,557,473	\$ 12,784,036	\$ 16,640,334	\$ 13,637,039
Interest cost	8,873,490	7,213,277	6,314,449	9,536,995	9,886,919	9,675,368	9,647,103
Differences between expected and actual experience	(9,142,980)	(38,668,710)	(31,933,903)	(17,787,925)	(42,512,515)	-	-
Changes of assumptions	(2,795,937)	(76,032,037)	(17,968,858)	68,495,480	7,341,705	(27,406,607)	28,249,754
Benefit payments	<u>(5,278,405)</u>	<u>(7,801,438)</u>	<u>(6,121,519)</u>	<u>(8,612,557)</u>	<u>(5,816,645)</u>	<u>(5,104,639)</u>	<u>(5,119,112)</u>
Net change in total OPEB liability	117,903	(103,256,480)	(36,925,908)	64,189,466	(18,316,500)	(6,195,544)	46,414,784
Total OPEB liability, beginning	<u>209,201,892</u>	<u>312,458,372</u>	<u>349,384,280</u>	<u>285,194,814</u>	<u>303,511,314</u>	<u>309,706,858</u>	<u>263,292,074</u>
Total OPEB liability, ending	<u>\$ 209,319,795</u>	<u>\$ 209,201,892</u>	<u>\$ 312,458,372</u>	<u>\$ 349,384,280</u>	<u>\$ 285,194,814</u>	<u>\$ 303,511,314</u>	<u>\$ 309,706,858</u>
Plan fiduciary net position							
Employer contributions	5,278,405	7,801,438	6,121,519	8,612,557	5,816,645	5,104,639	5,119,112
Employee contributions	362,891	441,790	447,330	595,449	426,046	393,236	399,715
Benefit payments	<u>(5,641,296)</u>	<u>(8,243,228)</u>	<u>(6,568,849)</u>	<u>(9,208,006)</u>	<u>(6,242,691)</u>	<u>(5,497,875)</u>	<u>(5,518,827)</u>
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 29,418,789	\$ 35,787,784	\$ 28,787,310	\$ 39,542,740	\$ 30,683,950	\$ 29,388,021	\$ 28,055,390
Net OPEB liability (asset) as a % of covered payroll	711.52%	584.56%	1085.40%	883.56%	929.46%	1032.77%	1103.91%

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.

See Independent Auditor's Report.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

Upper Darby Township
Combining Statement of Net Position – Fiduciary Funds
December 31, 2023

	Pension Trust Funds			Total
	Police Pension Fund	Municipal Employees Pension Fund	Firefighters Pension Fund	
Assets				
Cash and equivalents	\$ 3,193,055	\$ 2,507,018	\$ 2,398,188	\$ 8,098,261
Investments	104,239,168	71,530,890	44,375,449	220,145,507
Contributions receivable	-	29,780	-	29,780
Interest receivable	-	143,068	-	143,068
Prepaid expenses	-	2,974	-	2,974
Total assets	107,432,223	74,213,730	46,773,637	228,419,590
Liabilities				
Accounts payable	40,287	18,323	-	58,610
Net Position				
Assets held in trust for pension benefits	<u>\$ 107,391,936</u>	<u>\$ 74,195,407</u>	<u>\$ 46,773,637</u>	<u>\$ 228,360,980</u>

See Independent Auditor's Report.

Upper Darby Township
Combining Statement of Changes in Net Position – Fiduciary Funds
Year ended December 31, 2023

	Pension Trust Funds			Total
	Police Pension Fund	Municipal Employees Pension Fund	Firefighters Pension Fund	
Revenues				
Contributions				
Employer	\$ 5,169,270	\$ 1,910,255	\$ 2,168,813	\$ 9,248,338
Employee	986,487	770,661	797,370	2,554,518
Other	-	5,480	-	5,480
Total contributions	<u>6,155,757</u>	<u>2,686,396</u>	<u>2,966,183</u>	<u>11,808,336</u>
Investment income (loss)				
Net realized and unrealized investment losses	13,032,950	7,832,363	4,979,711	25,845,024
Interest and dividend income	2,480,939	1,915,785	1,268,701	5,665,425
Less: Investment expenses	<u>(144,515)</u>	<u>(328,223)</u>	<u>(105,475)</u>	<u>(578,213)</u>
Net investment income (loss)	<u>15,369,374</u>	<u>9,419,925</u>	<u>6,142,937</u>	<u>30,932,236</u>
Total additions	<u>21,525,131</u>	<u>12,106,321</u>	<u>9,109,120</u>	<u>42,740,572</u>
Deductions				
Benefit payments	7,892,314	5,545,117	3,372,791	16,810,222
Administrative expenses	<u>27,483</u>	<u>78,922</u>	<u>47,207</u>	<u>153,612</u>
Total deductions	<u>7,919,797</u>	<u>5,624,039</u>	<u>3,419,998</u>	<u>16,963,834</u>
Change in net position	13,605,334	6,482,282	5,689,122	25,776,738
Net position				
Beginning of year	<u>93,786,602</u>	<u>67,713,125</u>	<u>41,084,515</u>	<u>202,584,242</u>
End of year	<u>\$ 107,391,936</u>	<u>\$ 74,195,407</u>	<u>\$ 46,773,637</u>	<u>\$ 228,360,980</u>

See Independent Auditor's Report.

OTHER INFORMATION

**Upper Darby Township
 Ten Year Summary of Real Estate Taxes
 Year Ended December 31, 2023**

<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>
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	54,245,477	95.822%
2020	21.38	2,644,946,050	56,548,947	52,958,295	93.650%
2021	13.14	4,325,580,883	56,838,133	52,779,545	92.859%
2022	13.14	4,303,564,553	56,548,838	53,549,988	94.697%
2023	13.49	4,385,155,107	59,155,742	55,112,830	93.166%

See Independent Auditor's Report.

SINGLE AUDIT

**Upper Darby Township
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass- Through Entity /Grant Number</u>	<u>Federal Expenditures</u>	<u>Pass- Through to Subrecipients</u>
U.S. Department of Housing and Urban Development Community Development Block Grant	14.218	N/A	\$ 2,250,695	\$ 318,757
U.S. Department of the Treasury COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	8,824,998	-
Passed-Through the Pennsylvania Commission Commission on Crime and Delinquency COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2022-CL-01-39400	103,180	-
Total ALN #21.027			8,928,178	-
U.S. Department of Homeland Security Assistance to Firefighters Grant			28,616	-
U.S. Department of Justice Passed-Through the County of Delaware Justice Assistance Grant Bureau of Justice Assistance	16.738	N/A	41,432	-
Bullet Proof Vest Program	16.607	N/A	5,981	-
Total U.S. Department of Justice			47,413	-
Total Expenditures of Federal Awards			\$ 11,254,902	\$ 318,757

See Independent Auditor's Report.

Upper Darby Township
Notes to Schedule of Expenditures of Federal Awards
December 31, 2023

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, 2023**

Findings – Financial Statement Audit

2022-01 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.

2023 Summary Status

The Township has developed formal written internal controls and procedures at the department level. This finding is no longer applicable.

2022-02 Interfund Balances

During prior year audits it was noted that there were significant interfund balances accumulating between the Sewer Fund, the Debt Service Fund and the General Fund.

2023 Summary Status

See repeat finding 2023-001.

Findings and Questioned Costs – Major Federal Award Programs Audit

SA 2023-02 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

The audit for fiscal year 2022 was not completed and submitted to the Federal Audit Clearinghouse by the appropriate due date as required by the Uniform Guidance.

2023 Summary Status

The audit for the fiscal year 2023 was not submitted prior to the due date as required by the Uniform Guidance, however this findings was no longer determined to be necessary to communicate for the 2023 audit.

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

To the Honorable Township Mayor and Members of Council of
Upper Darby Township:

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, 2023, 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 March 6, 2025. 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 2023-001).

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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

March 6, 2025

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

To the Honorable Township Mayor and Members of Council of
Upper Darby Township:

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, 2023. 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, 2023.

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.

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 deficiency in internal control over compliance that we consider to be 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.

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.

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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

March 6, 2025

**Upper Darby Township
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

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. One material weakness relating to the audit of the financial statements of Upper Darby Township is 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 significant deficiency in internal control over the major federal award programs is 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:
 - i. Community Development Block Grant – Assistance Listing #14.218
 - ii. 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

**2023-001 Interfund Balances
Repeat Finding 2022-02**

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.

**Upper Darby Township
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

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, 2023, 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, 2023 should be made.

Management's Response

The Township has established a process for the Controller to review interfund balances at month end and repay amounts shortly thereafter. The Controller will make a recommendation to the Chief Administrative Officer on how to address interfund balances as of December 31, 2023.

Findings and Questioned Costs – Major Federal Award Programs Audit

None