

LIMERICK TOWNSHIP

FINANCIAL STATEMENTS

AND SUPPLEMENTARY

INFORMATION

Year Ended December 31, 2022

INTRODUCTORY SECTION

LIMERICK TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditor's Report	4
Management's Discussion and Analysis (Unaudited)	7
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	24
Statement of Activities	25
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	26
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balances	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
Notes to the Basic Financial Statements	32

LIMERICK TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

Required Supplementary Information

Budgetary Comparison Schedule	55
Notes to the Budgetary Comparison Schedule	56
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	57
Schedule of Police Pension Plan Contributions	58
Schedule of Police Pension Plan Investment Returns	59
<i>Non-Uniform Pension Plan</i>	
Schedule of Changes in the Net Non-Uniform Pension Plan Liability and Related Ratios	60
Schedule of Non-Uniform Pension Plan Contributions	61
Schedule of Non-Uniform Pension Plan Investment Returns	62
<i>Other Postemployment Benefit Plan</i>	
Schedule of Changes in the Total Other Postemployment Benefit Plan Liability and Related Ratios	63

Supplementary Information Section

<i>Other Governmental Funds</i>	
Combining Balance Sheet	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	66
<i>Fiduciary Funds (Pension Trust Funds)</i>	
Combining Schedule of Fiduciary Net Position	67
Combining Schedule of Changes in Fiduciary Net Position	68

LIMERICK TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance in Accordance With the Uniform Guidance	71
Supplementary Information - Major Federal Award Program Audit	
Schedule of Expenditures of Federal Awards	75
Notes to the Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77
Schedule of Prior Year Findings	78

FINANCIAL SECTION



Independent Auditor's Report

To the Board of Supervisors
Limerick Township
Limerick, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Limerick Township as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



To the Board of Supervisors
 Limerick Township Limerick,
 Pennsylvania

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Limerick 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 Limerick 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.



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Board of Supervisors
Limerick Township Limerick,
Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 23, budgetary comparison information on pages 55 through 56 and pension plan information on pages 57 through 63 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Limerick Township's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates 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 supplementary information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023 on our consideration of Limerick Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Limerick Township's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

Jamison, Pennsylvania
June 15, 2023

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022**

As management of Limerick Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Limerick Township for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which begin with the statement of net position on page 24.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's 2022 financial statements. The Township's 2022 financial statements comprise five components: (1) independent auditor's report, (2) management's discussion and analysis, (3) government-wide financial statements, (4) fund financial statements and (5) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Independent Auditor's Report

The *independent auditor's report* briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position and results of operations.

Management's Discussion and Analysis (MD&A)

Management's discussion and analysis, prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The *MD&A* also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business. The government-wide financial statements include the *statement of net position* found on page 24 and the *statement of activities* found on page 25 of this report.

The government-wide financial statements have one type of activity:

Governmental Activities - Functions of the Township that are principally supported by taxes and intergovernmental revenues. The *governmental activities* of the Township include general government, public safety (police, fire emergency management and code enforcement), public works, highways and streets, planning and land development and culture and recreation.

The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022**

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon 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 sick leave).

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: Governmental Funds and Fiduciary Funds.

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 Funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is 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 Township's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

The Township maintains eight individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Reserve Funds (includes the Capital Equipment Fund and Park Capital Fund), and Road Improvement Fund, which are all considered to be major funds. The remaining three funds are aggregated into one column and are labeled "Other Governmental Funds." ("Other Governmental Funds" are detailed on pages 65 and 66 in the Supplementary Information Section of this report.)

The basic Governmental Funds financial statements can be found on pages 26 through 29 of this report.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township's Fiduciary Funds include two Pension Trust Funds (the Police Pension Fund and the Non-Uniform Employees' Pension Fund) and two Custodial Funds.

The Fiduciary Funds financial statements can be found on pages 30 and 31 of this report.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022****Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 32 through 53 of this report.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* for the Township. The Township's budget policy and budgetary comparison statement for the General Fund can be found under required supplementary information. The budgetary comparison statement for the General Fund demonstrates compliance of the budget. This information also includes required information pertaining to the Township's Police and Non-Uniform Pension Plans, as well as the Township's Other Postemployment Benefit Plan.

Required supplementary information can be found on pages 55 through 63 of this report. Additional information that management has determined useful for the readers of this report can be found in the Supplementary Information Section found on pages 65 through 68.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the summary of net position (as shown on the next page) may serve over time as a useful indicator of the Township's financial position. The Township's total net position was \$111,551,771 at the close of December 31, 2022, which represents a decrease of \$1,502,577 from the previous year. Current and other assets decreased by \$2,650,159 primarily due to the losses and depreciation of the Capital Reserve investments due to the negative returns in the markets in 2022.

Capital assets, net, increased by \$1,018,728, due to the purchase of the 1206 Main Street property and completion of the Sanatoga Interchange Ramp during the year, offset by annual depreciation.

The Township's net investment in capital assets, \$41,953,143 or 37% of total net position, reflects the current book value (cost less accumulated depreciation) of land, buildings, machinery and equipment and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The other portion of the Township's net position, \$66,642,946 or 60% is unrestricted net position and may be used to meet the Township's ongoing obligations to citizens and creditors. Most of these assets have been earmarked for future capital improvements. The net proceeds from the sewer sale after paying off all debt were in excess of \$58 million. These assets have been invested for future capital projects as outlined in resolution 2018-37. The Board determines the amounts designated for capital improvements through the budget process. They may at any time, through a process outlined in the Second-Class Township Code, reclassify these assets for other uses.

The final portion of the Township's net position, \$2,955,682 or 3% represents resources that are subject to external restrictions on how they may be used. This includes the net positions of the Liquid Fuels Fund and Fire Protection Fund as well as Act 209 fees received in the Roadway Improvement Fund.

LIMERICK TOWNSHIP
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2022

Summary of Net Position

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
ASSETS			
Current and other assets	\$ 75,815,817	\$ 78,465,976	-3.38%
Capital assets	41,953,143	40,934,415	2.49%
TOTAL ASSETS	117,768,960	119,400,391	-1.37%
DEFFERED OUTFLOWS OF RESOURCES			
	<u>3,295,690</u>	<u>1,485,615</u>	121.84%
LIABILITIES			
Other liabilities	2,722,520	2,362,528	15.24%
Long-term liabilities	5,538,159	2,904,875	90.65%
TOTAL LIABILITIES	8,260,679	5,267,403	56.83%
DEFFERED INFLOWS OF RESOURCES			
	<u>1,252,200</u>	<u>2,564,255</u>	-51.17%
NET POSITION			
Net investment in capital assets	41,953,143	40,934,415	2.49%
Restricted	2,955,682	2,526,125	17.00%
Unrestricted	<u>66,642,946</u>	<u>69,593,808</u>	-4.24%
TOTAL NET POSITION	<u>\$ 111,551,771</u>	<u>\$ 113,054,348</u>	-1.33%

The Township's statement of activities shows how the net position changed during the fiscal year 2022. The statement of activities can be found on page 25 of this report (*also see table below*). The table below helps to explain the changes in net position from January 1, 2022 to December 31, 2022, and from January 1, 2021 to December 31, 2021.

LIMERICK TOWNSHIP
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2022

Changes in Net Position

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
REVENUES			
Program Revenues			
Charges for services	\$ 1,569,061	\$ 2,001,544	-21.61%
Operating grants and contributions	1,974,647	3,680,699	-46.35%
Capital Grants and contributions	238,192	2,500	9427.68%
General Revenues			
Taxes, levied for general purposes	11,692,399	10,810,514	8.16%
Gain on sale of assets	23,788	81,435	-70.79%
Other	2,374,319	480,518	394.12%
TOTAL REVENUES	<u>17,872,406</u>	<u>17,057,210</u>	<u>4.78%</u>
EXPENSES			
General government	3,083,373	2,531,081	21.82%
Public Safety	8,399,391	7,689,663	9.23%
Public Works	3,311,333	3,796,770	-12.79%
Culture and recreation	1,310,500	1,393,459	-5.95%
Miscellaneous	3,270,386	196,776	1561.98%
TOTAL EXPENSES	<u>19,374,983</u>	<u>15,607,749</u>	<u>24.14%</u>
CHANGES IN NET POSITION			
	(1,502,577)	1,449,461	-203.66%
NET POSITION AT BEGINNING OF YEAR	<u>113,054,348</u>	<u>111,604,887</u>	<u>1.30%</u>
NET POSITION AT END OF YEAR	<u>\$ 111,551,771</u>	<u>\$ 113,054,348</u>	<u>-1.33%</u>

As shown, the Township's net position decreased by \$1,502,577 from January 1, 2022, and increased by \$1,449,461 from January 1, 2021.

LIMERICK TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022
Governmental Activities

To understand how the net position changed in the governmental activities, you must look at the "Statement of Revenues, Expenditures and Changes in Fund Balances" (page 28) along with the "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities" (page 29).

On page 28, the Governmental Funds are broken down individually to show the "Net Change in Fund Balances" for each fund. The total of these individual changes is \$(1,991,704) and it decreases the fund balances from January 1, 2022 to December 31, 2022. The total fund balances on December 31, 2022, are \$73,077,842.

The reconciliation on page 27 explains how the Township arrived at the governmental activities net position of \$111,551,771 from the fund balance in the governmental funds of \$73,077,842.

Below is a table showing the percent of program revenues to expenditures for all the governmental activities.

Expenses and Program Revenues

	2022		% of Program Revenues to Expenses	2021		% of Program Revenues to Expenses
	Expenses	Program Revenues		Expenses	Program Revenues	
General government	\$ 3,083,373	\$ 1,857,862	60%	\$ 2,531,081	\$ -	0%
Public safety	8,399,391	1,082,912	13%	7,689,663	171,139	2%
Public works	3,311,333	237,342	7%	3,796,770	5,045,695	133%
Culture and recreation	1,310,500	603,784	46%	1,393,459	467,909	34%
Miscellaneous	3,270,386	-	0%	196,776	-	0%
	<u>\$ 19,374,983</u>	<u>\$ 3,781,900</u>	20%	<u>\$ 15,607,749</u>	<u>\$ 5,684,743</u>	36%

The Township's governmental activities' program revenues (charges for services, grants and contributions) for each governmental department cover 20% or \$3,781,900 of the expenses in 2022, a decrease from 2021 primarily due to the level of grants received in 2021.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022****GENERAL FUND BUDGETARY HIGHLIGHTS**

The original 2022 budget was adopted in December 2021. That budget was amended three times during the year, in May (Resolution 2022-25), September (Resolution 2022-29) and again in December (Resolution 2022-39). These amendments resulted in budgeted General Fund revenues and other financing sources exceeding expenditures and other financing uses by \$821,031 as compared to a budgeted deficit of \$1,914,720 funded by a \$714,720 use of cash reserves and transfer from the General Capital Reserves of \$1,200,000. As of year-end, revenues exceeded the amended budget by \$412,687 and expenditures were less than the amended budget estimates by \$129,407. A comparison of budget to actual numbers for the General Fund can be found on page 55 in the Required Supplementary Information Section of this report.

In general, the Township has taken a conservative budgeting approach, which entails estimating revenues on the low side and expenses on the high side of acceptable ranges. It would not be cost-effective to hire experts that can predict more accurately the amount of revenues the Township will collect. By budgeting conservatively, the Township can better manage unexpected events that may arise, such as a sudden drop in the housing market or a catastrophic weather event. Surpluses remaining at the end of the year are either held in cash reserve to be considered part of subsequent budgets or transferred to a capital reserve account for future capital purchases.

Significant budgetary variances between budget and actual results are as follows:

Revenues

- **Taxes:** The tax line item consists of Real Estate Taxes, Real Estate Transfer Taxes, Earned Income Taxes and Local Services Taxes. Overall, taxes collected exceeded the amount budgeted by \$390,834. The largest portion of the Township's real estate tax is accounted for in the General Fund. There was no tax increase in 2022, and the General Fund milage remains at 2.089. Property Taxes received were \$3,260,149 in line with the budgeted amount. Although the Township's assessed value continues to gradually increase (1.54% and 1.46 % in 2022 and 2021, respectively), that increase does not provide a significant increase in taxes. The overall tax milage rate was last increased in 2016.

The Township collected \$1,405,900 in Real Estate Transfer Taxes, \$55,000 more than the budgeted amount and \$655,000 more than the original budget. Real Estate Transfer Taxes are based on the dollar volume of real estate sales transacted during the year, which varies greatly from year to year. The current economy has had a great impact on real estate sales. Revenues earned from this tax averaged \$813,000 over the last ten years and \$1,090,000 over the last three years. This increase is reflective of the increase in residential units being constructed within the Township. 413 residential transfers resulted in \$907,589 in 2022. The average tax per residential home was \$439,510 as compared to \$385,671 in 2021. The commercial real estate market is hard to predict on a small scale (Township vs. county wide). Sales of large commercial tracts of land, developed or undeveloped, dramatically impact transfer taxes and many times are not known in advance. For these reasons, the Township has taken the approach to budget this line item conservatively. Sixteen commercial properties were sold in 2022 resulting in approximately \$498,000 in transfer taxes.

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022

Earned Income Tax is levied at 1% for residents and is shared with the Spring-Ford Area School District. From the onset of COVID in 2020, it was anticipated that EIT revenues would decrease by approximately 10%. However, actual 2020 collections were \$4,752,915 about \$153,000 more than budgeted; and about \$98,000 more than collected in 2019. The assumption was that many of the wage earners in Limerick Township were able to continue working from home. Likewise, EIT collections in 2021 were \$5,188,518. In 2022, revenue from EIT was \$5,680,842, a 9.4% increase over 2021. In keeping with the policy of conservative budgeting, the Township utilizes annual budget estimates from Berkheimer Associates and receives periodic updates used for future budget amendments.

The Local Services Tax is a flat rate of \$52 charged to all persons working in Limerick who earn in excess of \$12,000 annually. Collections in 2022 were \$578,592 slightly higher than the budgeted amount and were approximately \$50,000 more than the 2021 collections. This revenue remains about 10% lower than pre-COVID collections.

Fees, Licenses and Permits: This category includes Cable Franchise fees and licenses, fees and permits related to construction. The 2022 original budget was \$1,162,979, the amended budget was \$1,569,732, an increase of about \$406,000 and actual revenues were \$1,482,764. Commercial building permits were originally budgeted at \$190,000 but actual receipts were about \$376,388. New construction permits were issued for Buckman's Enterprises as well as many alterations permits. Residential permit revenue of \$376,535 exceeded the original budget of \$286,000. New residential building permits included 83 permits for new construction at the Everleigh at Limerick Pointe, Overlook at Creekside, Weaver Tract and Northgate developments.

Expenses

- **General Government:** The General Government category includes Township Administration, Tax Collection, Legal, Engineering, Technology and Facilities Management. Total expenses were \$2,728,358, about \$108,000 less than the original budget and \$12,000 less than the final budget. A reduction in professional fees attributed to the savings.
- **Public Safety:** The Public Safety category includes Police, Code Enforcement, Emergency Services and Planning & Zoning account groups. This category accounts for 55% of the General Fund budget. Combined expenses in these groups were \$6,458,315 in 2022 about \$243,000 less than the original budget and \$24,000 less than amended budget. The original budget was based on a full complement of 30 officers however the department was understaffed due to prior terminations and short-term disability cases. This resulted in lower personnel costs as well as some operational costs. The department was staffed at 29 full-time officers by the end of the year.
- **Public Works:** The work accounted for in the Public Works Department includes snow removal, recycling, traffic signal maintenance, electricity for streetlights, repairs and maintenance to trucks and equipment, highway reconstruction and maintenance and repair of roads. These expenses account for about 21% of the general fund budget. Overall, public works expenditures were about \$157,000 less than the 2022 original budget and \$43,000 less than the amended budget because of reduced personnel costs due to several disabilities as well a reduction in winter maintenance costs and related overtime due to a mild winter season.
- **Miscellaneous:** Miscellaneous expenditures include Property and Liability Insurances and Contributions. 2022 expenses of \$190,811 were about \$50,000 less than budgeted amounts. The annual budget includes a contribution to the post-retirement reserve of \$50,000 however this is not an expenditure for GAAP purposes, so not reflected in the actual amounts.

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's capital assets as of December 31, 2022, were \$41,953,143 (net of accumulated depreciation), an increase of \$1,018,728 from 2021. This includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, and traffic signals.

Current Year Major Additions

Land & Improvements -

In 2022, \$2,517,276 of improvements were capitalized. This includes the purchase of 1206 Main Street, a 7.34 acre property that abuts our Linfield Sports Park. The intent to subdivide the property, the portion including the buildings will be sold and the balance of the land will be incorporated into the park system. Additionally, the second phase of the PECO trail that extends from South Limerick Road to Township Line Road, was completed. The project included fencing and a pedestrian crosswalk on Lewis Road. A portion of this project was funded through a grant.

Machinery and Equipment

The total additions for machinery and equipment were \$483,508 and included:

• Police Body Warn Cameras.....	\$157,790
• Replacement – Police – Chevy Tahoe's (2)	\$121,213
• Pedestrian Crossing at Lewis Road – PECO trail.....	\$100,885
• Replacement – Ford F350	\$60,185
• Police Rifle Suppressors (20).....	\$11,925
• Replacement – 20' Trailer.....	\$11,492
• Solar Powered Crosswalk at LCP.....	\$10,455
• Kubota Mower Attachments.....	\$9,563

Infrastructure

The new west bound ramp at the Sanatoga Interchange of Rt. 422, partially funded by a DCED-CFA grant was completed at a cost of \$2,259,304. The Township received a Road & Bridge Safety Improvement Award for this project, sponsored by the PA Highway Association and PA Dept. of Transportation at the April 2023 PSATS convention.

The Finance Department maintains a detailed listing of all capital assets and depreciation schedules.

Long-Term Debt

The Township has no outstanding debt.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022****ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES****Economic Factors**

The Township services an area of 22.39 square miles and a community of 20,458 residents. The Township is located in the southwestern part of Montgomery County, approximately 30 miles from Philadelphia. Two main road arteries, Route 422 and Ridge Pike, run through Limerick Township, making the Township a desirable and convenient place to reside.

The Township received an AAA bond rating from Standard and Poor in November 2014. Limerick is one of a handful of townships in the state with this rating.

Next Year's Budget

Beginning in September, the Township Manager and Finance Director began discussions with each department to map out specific budget requirements. A primary objective is to build on the successes achieved during 2022 and continue to ensure the Township can meet the challenges of the future.

Budget discussions were held with the Board during regularly scheduled meetings on October 4th, 18th, and November 1st. Based on the extent of issues to review, the Board also held a Special Budget Meeting on Saturday, October 15th. During these meetings, the Board was offered a review of all reserve accounts and the impact all capital and unfunded requests would have on each fund. The final review of the full Budget was presented on November 15th, at which time, the Board approved the advertisement of the 2023 Budget for inspection and review by the public. The 2023 Budget was adopted on December 20, 2022, and is balanced across revenues and expenses at \$25,007,364.

During public discussions, the Board was briefed on the following Assumptions and Objectives that would be the basis of the Budget.

- Inflation and the increase of federal interest rates will impact all departments and require additional funding to maintain the same-level services as provided in 2022.
- Year-end departmental cost savings of the past few years, due to ongoing staffing shortages, is not anticipated for 2023 as staffing levels are expected to return to approved budget levels.
- Year-end surpluses that have been realized, due to a high level of permit activity and new home sales, are not anticipated due to an expected nationwide recession which is projected to slow down the construction and real estate markets.
- The reliance on interest earnings from Township reserve funds, as an alternate non-tax funding stream to the General Fund, will again be prioritized.
- The second of a four-year plan to utilize ARPA funds will be included in the budget to offset the increasing cost of general operations.
- Succession planning for a significant number of staff and management level retirements, which will take place over the next several years, will begin to be implemented in the 2023 Budget.
- Capital planning and projects will be focused on existing projects such as the Community Park and roadway improvement grants to include the \$14 million RACP allocation Limerick has been provided in the statewide program.

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022

The Board also discussed additional objectives of importance that will guide their review of the Budget. Most importantly was the need to balance operations against rising inflationary costs so additional tax revenues would not be needed. Due to a Township-wide sewer rate increase, which took effect in the third quarter of 2022, and tax increases forthcoming from both the School District and County, the Board stated they would not want to impose a Township real estate tax increase on residents, as well. To combat any increase in operational costs due to the rise in inflation, the Board stated they want all departments to maintain their current operational levels and seek alternative methods to meet increased calls for service. Unfunded requests or expansion of operations would only be considered if needed to maintain current levels of service.

Based on these guidelines, the following items are highlights as issues incorporated into the Preliminary Budget presented to the Board for approval at their November 15th meeting.

Taxes

The projected assessed value of the Township is anticipated to be 1.5% higher than 2022, with General Fund receipts of \$3,287,000. Act 511 revenues are projected to be \$6,855,000 and together, both tax revenue streams account for 70% of General Fund revenues. All taxes are aligned with recent years' collections, except Real Estate Transfers which have been reduced by \$450,000 due to a projected slowdown of the market.

Interest Income

General Fund interest earnings are projected to be \$156,000, which is a significant increase over the original 2022 Budget assumption of \$18,000. The General Fund Balance is estimated to be \$7,676,080 at the end of 2023.

Capital Reserve Fund interest earnings on the PFM Investments are budgeted at \$895,000, which is \$282,000 more than projected for 2022. These increases are due to the rise in the Federal interest rates by 4.5% in their attempt to ease inflation. All non-PFM investments within this Fund are also expected to increase, with interest projected to be \$100,000 vs. \$14,000 budgeted in 2022. The Capital Reserve Fund holds the net proceeds from the 2018 sale of the sewer system and the business strategy of utilizing the investment earnings of these funds, to offset the need for additional taxes, continues to provide benefits. With total interest projected at \$995,000 this represents 30% of the total Real Estate Taxes projected to be collected in the General Fund in 2023. As School District and County property taxes continue to rise due to inflation, the Township can turn to these investment earnings, as another source of revenue, to offset rising costs instead of enacting additional taxes. If the sale of the sewer system would not have occurred, it is safe to assume that Limerick Township real estate taxes would at a minimum be 30% higher. This does not include costs the Township would be incurring for Township debt, which was eliminated with the sale proceeds, or financing costs which would have been incurred for the new municipal and fire company buildings, and capital projects completed to date with the sewer monies.

General Fund Deficit and Capital Reserve Transfer

Discussion ensued on the use of General Fund Reserves to bridge an operating deficit. For 2023, the deficit is projected to be \$789,737. This is after a transfer of \$1.2 million from the Capital Reserves Fund which, per the approved 2018 Investment Strategy, is interest funding available to offset the need for additional General Fund taxes. The Board was reminded that this transfer of \$1.2 million, along with the projected deficit, represents an operational funding shortfall above the recurrent revenue stream. The Township's ability to offset 60% of this \$1,989,737 shortfall with interest earnings, as opposed to increased taxes, demonstrates the strength of the business strategy behind the sale of the sewer system. The Board was also reminded that when the sale took place in 2018, projections showed that annual interest earnings could hold taxes level for a five-year period. 2023 will be the fifth year of this projection and based on surplus funding over the past few years, which have eliminated the need for the Capital Reserve Fund transfer and allowed the funds to remain in the account, the Administration believes a tax increase can be held off until future years.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022**

As has been the practice of past years, the \$789,737 deficit will be funded by the General Fund reserves. The Administration will maintain positive budget management to try and reduce this deficit. However, and as previously noted in this report, with staffing at approved levels and the threat of recession, if a deficit reduction does take place in 2023, it is not expected at levels of past years.

Planning, Zoning, and Code Revenues

Recession related impacts are expected to affect these departments and decrease revenue from 2023 levels. Subdivision and Land Development fees are projected to be \$35,000, which is a 50% decrease. A recession is expected to dampen the new construction market, and residential permit revenues are projected to be approximately \$283,000, which will be a \$62,000 decrease from 2022. Likewise, commercial permit revenue is reduced to \$190,000, a \$145,000 reduction from last year.

Succession Planning and Non-Uniform Personnel

Since the onset of the Pandemic, all departments have experienced staffing vacancies due to attrition and personnel who have left for other opportunities. Hiring qualified individuals has become challenging since the Covid crisis, for many reasons impacting the labor market. Wage rates have also risen as employers seek to attract workers from a dwindling supply of interested job seekers. With many Township departments back to full staffing, options of how to keep current employees and address pending retirements in 2024 was discussed.

The Board agreed to match a 4.5% pay increase for all non-uniform employees, which is equal to increases provided in the Police Collective Bargaining Agreement. Over the past several years the annual increase has been in the 3% range. The Board also agreed to suggested changes to vacation, sick, and PTO time to offer additional incentives and help employees meet changing lifestyles. The changes to these benefits should also help attract new workers and retain existing staff.

Interfund Transfers

In addition to the proposed transfer of Capital Reserve Funds into the General Fund, the following transfers are also incorporated into the 2023 Budget.

Capital Equipment - For many years, the Capital Equipment Fund has not had a funding source, other than sale of assets and interest, and relies on transfers from the General Fund. The Board did agree to place approximately \$100,000 of additional 2022 surplus funding into this fund to help with planned 2023 expenditures. Staff continues to seek alternate funding to purchase large-scale apparatus and equipment to ease the burden on the General Fund, which would also come from additional taxes or the Capital Reserve Fund.

Park & Recreation Fund - The recreation programs offered by the department result in revenues sufficient to cover the cost of the programs and a portion of the administrative costs. With the increase of the Township's parks, trails, and open space system, the real estate taxes received are not sufficient, so larger transfers are needed from the General Fund to cover ongoing maintenance costs. For 2023, the required transfer is \$633,700. It is important to note that this constitutes a significant portion of the projected General Fund deficit of \$789,737 requiring the use of reserves to balance the 2023 Budget.

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022

Fire Protection Fund - The 2023 Budget also projects a higher-level transfer from the General Fund to the Fire Protection Fund, primarily for the Volunteer Incentive Program that began in 2013. At that time, the Township contributed \$50,000 per year and the Fire Department has requested the amount be increased to \$100,000 for 2023. Additionally, there is \$12,000 for reimbursement of the fire stipend program for Township employees who are daytime drivers. While 2023 projections show that the existing Fire Tax will cover operational expenses, this Fund is tracking in a negative manner and a pending shortfall is projected for 2025. Discussion on how to deal with this growing shortfall will be ongoing with the Board and community over the next few years. Additionally, a transfer from the Capital Reserve Fund of \$360,000 is budgeted to reimburse the Fire Department for the monthly mortgage payments on the Linfield Fire Station.

Capital and Grant Projects

While recognizing the need to balance ongoing operations, the Board also reviewed the status of long-term projects needed to accommodate the growth of the community. The focus of all larger-scale projects is to seek outside agency funding and grants to offset project costs, as best as possible. The following is a review of the items under discussion:

- **Lightcap Road** - Since the opening of the Philadelphia Premium Outlet Mall in 2007, a need to upgrade the portion of this road between Possum Hollow and Airport Road has been under discussion. Current estimates place the project at \$5.4 million, including right-of-way acquisitions. A \$3 million CFA Grant application was submitted in 2022, to begin to acquire funding to offset these costs. Notice on any award is expected in March and once this is known, a plan to seek other grant funding will be discussed with the Board. This project is part of the \$14 million Redevelopment Assistance Capital Program (RACP) funding allocated to Limerick, as part of the PA 2022 Capital Budget. The Board also reaffirmed this is the top-level project to prioritize for grant funding.
- **Lewis Road Sidewalk Improvements Project** - With the pending award of an additional \$320,000 in grant funding, the Board reaffirmed the continuation of this project. It is anticipated that permits, easements, and right-of-way will be obtained in early 2023 so the project can be bid, and construction started. With the increase of costs since the original grant of \$783,421 was awarded in 2019, along with increases due to PennDOT changes, the project now stands at \$1,598,697. The Township is obligated toward a 30% match that has been approved in previous budgets and will be covered utilizing Capital Reserve funds.
- **East-Bound Off-Ramp Sanatoga Interchange** - The project remains conceptual, pending acquisition of required right-of-way by Lower Pottsgrove Township. \$75,000 of Traffic Impact Fee monies were allocated for 2023 to permit engineering and legal work to commence, as required. This estimated \$4.5 million project is also included in the Township's RACP allocation. This remains as the second-tier project for funding after Lightcap Road.
- **Royersford Road & Linfield Trappe Road Intersection** - The Board expressed their commitment to ensure this becomes shovel-ready as soon as possible. There is no funding approved beyond the design and permitting that is ongoing for this estimated \$5.5 million project. The focus of 2023 will be to finalize design and outside agency approvals, and all funding for this stage will come from existing Traffic Impact Fees. The majority of Board members stated that they would not approve the use of Township monies to fund the construction of this realignment project. As they have stated in the past, once the project is shovel-ready then grants and alternate outside funding should be identified to cover all construction costs.
- **Community Park Phase 1 Upgrades** - As noted previously in this report, a total of \$675,000 of grant funding has been secured and the Board previously approved the required \$675,000 matching funds from Capital Reserve Fund so the work can begin. The project has been delayed pending receipt of NPDES permits, which came through in late 2022. It is expected the \$1.35

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022

million project will begin in the Spring; however, only \$850,000 of work is expected to take place in 2023, as construction is anticipated to take place over 2 years.

- **Manderach Playground** - Under discussion for several years is the need to replace the 25-year-old wooden structure. A \$1 million DCED Local Share Account (LSA) Grant application was submitted in 2022 to offset the projected \$1.2 million project. As of the date of this report, an award has not been forthcoming and once it is known, a discussion with the Board will take place on how the project will move forward.

The Proposed 2023 Budget, in line with the 2023 objectives and issues stated above, was presented to the Board and approved on December 20th with the following key items:

- **\$25,007,364 Budget** across all funds, which represents a 20% increase over the 2022 year-end Amended Budget.
- **No Increase in Real Estate Tax Rates** - This will be the 7th year in a row that real estate taxes have remained at the 2016 rate.
- **Operational Deficit** - The 2023 General Fund budget was approved with an operational budget deficit of \$789,737. While past year deficits of similar levels were eliminated by way of positive budget management, the Board recognized this may not occur in 2023 due to inflationary and recession related issues, previously discussed in this report.
- **Transfer from Capital Reserve Fund** - A budgeted transfer of interest earnings in the amount of \$1,200,000 into the General Fund will eliminate the need to increase property taxes to balance the budget. With a projected 2023 year-end Capital Reserve Fund balance of \$58,715,320, the use of these investment's interest earnings to maintain Limerick's below-average tax rates when compared to all other 62 Montgomery County municipalities, will remain strong.
- **Capital Expenditures** - Unfunded Requests were shown to be needed to meet the growth of the Township and increasing calls for service. Approved safety equipment purchases for the Police Department maintains a long-standing Board objective: to ensure that the Police Officers who answer the call are properly protected, while protecting this community.
- **Ambulance EMS Support** - A higher-level support program will begin with the new Freedom Valley Medical Rescue organization. The Budget includes quarterly payments to the agency that will eliminate the need for resident membership subscriptions for those within their coverage area. In order to ensure all residents receive the same benefit, the Township will work with the other recognized ambulance companies who cover the remainder of the Township, to establish a similar support program.
- **Fire Department** - In recognition of the tremendous service provided by all Limerick Fire Department volunteers, an additional \$50,000 was approved for the Volunteer Incentive Program. This brings the Township's annual contribution to \$100,000 and strengthens the important recruitment program that is enabling the Department to remain fully volunteer, resulting in a savings of approximately \$5 million annually.
- **Capital Grant Projects** - The Board remains committed to future generations of residents and approved all required funding to maintain the capital projects and programs listed in this report. While trail and pedestrian connectivity has been a high priority over the past decade, all grant funded construction projects are now concluded. With no new project proposed, staff was instructed to continue to seek grant funding for additional trail connections to the new PECO Trail network, and other higher populated areas of the Township. The Board also maintained funding to establish a Way-Finding signage system for the entire Township trail system that will be linked into the 911 system in case of emergencies.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022**

- **Public Works Department** - In order to strengthen the department's construction-oriented structure, an additional employee was approved for hire in the first quarter of 2023. The department continues to perform many high-level projects in-house, which has saved the community thousands of dollars over the past two decades. The Board is desirous that this approach remains, as the department begins a transition process over the next few years to replace staff members who will be eligible for retirement.
- **Parks & Recreation Department** - A desire to construct a community center to house the department's summer camp program continues to be on hold due to costs. The proposed center to be built in the Limerick Community Park was to provide additional space to expand events and programs to the community. Staff are looking for additional space to build on a successful 2022, in which they implemented several new events and increased revenues to offset operational costs. The Board recognized the good work and services they provide to the community, but a majority are not willing to invest in a new facility, especially with inflation costs increasing for existing operations. As an alternate approach, staff was directed to reach out to existing business and organizations to determine whether space is available that the Township could use for programs and events. They were also tasked with finding programming partnerships with local organizations, such as they have done with Arcadia and the Senior Coffee Talk Program.
- **Fund Balances** - The following is a review of all year-end 2023 Reserve Funds after the activity of the approved budget.
 - **General Fund** - \$7,676,080 - These reserved funds provide the transfer to offset the projected original budget deficit of \$789,737. Any reduction of this deficit during the year will allow the funds to remain available for future years' needs. It is important to note that \$350,000 of these funds are set aside for the approved 2024 contribution to the ambulance providers. The Administration recommends that this fund balance not go below \$5,000,000, based on the Government Finance Officers Association of PA (GFOA) recommendations.
 - **Fire Protection Fund** - \$262,489 - Since the 2019 merger, a surplus has been realized in this fund because of operational cost savings. The 2020 fund balance of \$436,999 has been declining over the past two years, as operational and capital costs are beginning to exceed annual Fire Tax revenue. Annual mortgage payments to the Fire Department, to cover financing costs for the new Linfield Station building, are funded from the Capital Reserves, not the Fire Protection fund balance. As we evaluate future financial costs of the department, a discussion with the Board should review options for payment of the ongoing Linfield Station mortgage, and whether funding should be from the Capital Reserves or the Real Estate Fire Tax.
 - **Road Improvement Fund** - \$1,808,413 – Act 209 Traffic Impact Fees and Waiver Fees remain the primary funding source for this account. Traffic Impact fees has been used to fund several important roadway improvements over the past decade, such as the Sanatoga West-bound on-ramp, the design of Royersford Road/Linfield Trappe Road intersection, the traffic signals at Sunset Road and Ridge Pike, and at Limerick Road and Ridge Pike. Waiver Fee funds have been used, as well, on upgrades such as the West Cherry and Limerick Center Road Improvement Project. So long as development activity remains strong, funding should continue to flow into this fund for use in future roadway improvement projects.

LIMERICK TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022

- **Capital Equipment Fund** - Over the past several years, funding for this fund has been primarily from a transfer from the General Fund, as this account does not have a dedicated revenue stream. With a large vehicle and equipment fleet, and the continued desire of the Board to maintain the Public Works Department in a construction-oriented structure, the need for capital funding will continue. A \$100,000 transfer from the 2022 year-end surplus provided a minimal offset to the approved 2023 equipment expenses of \$438,000. A continued reliance on General Fund tax revenues to purchase vehicles and equipment will be part of future years' budgets. A goal for 2023 will be to complete a Long-Term Capital Equipment Replacement Plan for all departments, in a similar manner to the Fire Department's plan. With this in place, the Administration will be able to better forecast future years' strategies, instead of reacting year-to-year to large-scale purchase requests.
- **Capital Reserve Fund** - \$58,715,320 - The backbone of the Township's financial stability, the fund's principal balance, did decline in 2022 because of the downturn in the markets. However, interest earnings rose from the previous year's levels, due to higher interest rates. Since the sale of the sewer system, the Board has followed the objectives of the Investment Strategy that dictates how these funds are to be used. So long as future Board's do the same, these reserve accounts will provide continued benefits and help maintain real estate tax rates at below-average levels.
- **Liquid Fuels** - \$603,008 - A rejection of 2022 road bids allowed this fund balance to increase to \$868,352 by year-end and remain available for future year projects. Proposed 2023 road projects of approximately \$919,000 will utilize the projected PennDOT contribution of \$654,000 and \$265,000 of the reserves. While the 2023 reserve beginning balance of \$603,000 provides stability to the Fund, the rising cost of road materials and labor will continue to increase road projects in future years. With over 100 miles of roads to maintain, the annual allocation from PennDOT will need to be supplemented in future years, if the same level road maintenance program is to be continued.
- **Park Capital Fund** - \$161,835 - Similar to the Capital Equipment Fund, a recurrent funding stream does not exist to support purchase and upgrades to the township-wide parks, trails, and open space system. This fund balance stood at well over \$1 million a decade ago, but positive park improvements, acquisitions, and matching fund requirements for park grants have depleted the account. A Township Open Space contribution is spelled out in the Township Code for new home developers, and for this Fund to again receive revenue, new home construction would need to be encouraged. This obviously works against current desires to increase open space preservation and limit the growth of the township. With an expanding park system, discussions with the Board and public will be required to determine how to best fund future park improvements and open space preservation.

LIMERICK TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)****YEAR ENDED DECEMBER 31, 2022****REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. If you have questions about this report or request additional financial information, please contact the Finance Director at the Limerick Township Municipal Building, 646 West Ridge Pike or by phone at 610-495-6432, extension 113.

LIMERICK TOWNSHIP
 STATEMENT OF NET POSITION
 DECEMBER 31, 2022

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 11,800,992
Investments	63,043,257
Receivables, taxes and other	740,014
Prepaid Expenses and Other Assets	231,554
Capital Assets - Not Being depreciated	
Land and Improvements	8,785,004
Construction in Progress	152,992
Capital Assets - Net of Depreciation:	
Buildings and Improvements	11,947,300
Machinery and Equipment	2,313,825
Infrastructure	<u>18,754,022</u>
Total Assets	<u>117,768,960</u>
 Deferred Outflows of Resources	
Related to Pension	3,030,198
Related to OPEB	<u>265,492</u>
 Total Deferred Outflows of Resources	<u>3,295,690</u>
 Liabilities	
Accounts Payable and Accrued Expenses	1,033,535
Unearned Revenue	1,684,545
Due to Custodial Funds	4,440
Long Term Debt - Due Beyond One Year	
Total OPEB Liability	2,427,483
Compensated Absences	148,420
Net Pension Liability	<u>2,962,256</u>
Total Liabilities	<u>8,260,679</u>
 Deferred Inflows of Resources	
Related to Pension	623,137
Related to OPEB	<u>629,063</u>
 Total Deferred Inflows of Resources	<u>1,252,200</u>
 Net Position	
Net Investment in Capital Assets	41,953,143
Restricted for	
Road and Street Improvements	2,174,348
Fire Protection	781,334
Unrestricted	<u>66,642,946</u>
 Total Net Position	<u>\$ 111,551,771</u>

The accompanying notes are integral to the financial statements as a whole.

LIMERICK TOWNSHIP
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities				
Primary Government:									
Governmental Activities									
General Government	\$ 3,083,373	\$ -	\$ 1,857,862	\$ -	\$ (1,225,511)				
Public Safety	8,399,391	853,328	13,657	215,927	(7,316,479)				
Public Works	3,311,333	111,949	103,128	22,265	(3,073,991)				
Culture and Recreation	1,310,500	603,784	-	-	(706,716)				
Miscellaneous	3,270,386	-	-	-	(3,270,386)				
Total Governmental Activities	\$ 19,374,983	\$ 1,569,061	\$ 1,974,647	\$ 238,192		(15,593,083)			
General Revenues:									
Real Estate Taxes					4,027,065				
Earned Income Taxes					5,680,842				
Emergency and Municipal Services Taxes					578,592				
Real Estate Transfer Taxes					1,405,900				
Intergovernmental					641,337				
Fees, Licenses and Permits					625,369				
Interest and Rents					876,091				
Fines, Forfeits, and Costs					46,668				
Gain on Sale of Capital Assets					23,788				
Other					184,854				
Total General Revenues and Other Items					14,090,506				
Change in Net Position					(1,502,577)				
Net Position - Beginning of Year					113,054,348				
Net Position - End of Year					\$ 111,551,771				

The accompanying notes are integral to the financial statements as a whole.

LIMERICK TOWNSHIP
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2022

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Capital Reserve Fund	Road Improvement Fund			
<u>Assets</u>						
Cash and Cash Equivalents	\$ 6,645,631	\$ 3,770,719	\$ 93,893	\$ 1,290,749	\$ 11,800,992	
Investments	4,997,722	56,575,312	1,470,223	-	63,043,257	
Receivables, Taxes and Other	274,800	218,129	243,149	3,936	740,014	
Due from Other Funds	-	1,034,899	-	31,767	1,066,666	
Prepaid Expenses	111,861	-	-	119,693	231,554	
Total Assets	\$ 12,030,014	\$ 61,599,059	\$ 1,807,265	\$ 1,446,145	\$ 76,882,483	
<u>Liabilities, Deferred Inflows and Fund Balances</u>						
Liabilities						
Accounts Payable and Accrued Expenses	\$ 548,174	\$ 206,007	\$ 45,723	\$ 233,631	\$ 1,033,535	
Due to Other Funds	792,294	274,372	-	-	1,066,666	
Due to Fiduciary Funds	4,440	-	-	-	4,440	
Unearned Revenue	1,684,545	-	-	-	1,684,545	
Total Liabilities	3,029,453	480,379	45,723	233,631	3,789,186	
Deferred Inflows of Resources						
Unavailable Revenues, Property Taxes	15,455	-	-	-	-	15,455
Fund Balances						
Nonspendable	111,861				-	111,861
Restricted for:						-
Road and Street Improvements	-	-	1,761,542	869,202	2,630,744	
Fire Protection	-	-	-	343,314	343,314	
Committed						
Post Retirement Health Reserve	523,518	-	-	-	523,518	
Assigned to:						
Capital Projects	-	60,833,537	-	-	60,833,537	
Capital Equipment	-	285,143	-	-	285,143	
Unassigned	8,349,727	-	-	(2)	8,349,725	
Total Fund Balances	8,985,106	61,118,680	1,761,542	1,212,514	73,077,842	
Total Liabilities and Fund Balances	\$ 12,030,014	\$ 61,599,059	\$ 1,807,265	\$ 1,446,145	\$ 76,882,483	

The accompanying notes are integral to the financial statements as a whole.

LIMERICK TOWNSHIP
 RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2022

Fund Balances - Total Governmental Funds	\$ 73,077,842
Amounts reported for governmental activities in the statement of net position are different because:	
Net Pension Liability and Deferrals are not financial resources and, therefore are not reported in the governmental funds	(555,195)
Net OPEB Liability and Deferrals are not financial resources and, therefore are not reported in the governmental funds	(2,791,054)
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	41,953,143
Long term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated Absences	(148,420)
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	<u>15,455</u>
Net Position of Governmental Activities	<u>\$ 111,551,771</u>

LIMERICK TOWNSHIP
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Capital Reserve Fund	Road Improvement Fund	Other Governmental Funds		
Revenues						
Taxes	\$ 10,935,988	\$ -	\$ -	\$ 1,398,939	\$ 12,334,927	
Fees, Licenses and Permits	1,482,764	-	141,935	-	1,624,699	
Interest and Rents	171,231	658,529	25,458	83,488	938,706	
Intergovernmental Revenues	1,244,725	658,719	215,927	179,980	2,299,351	
Fines, Forfeits, and Costs	46,668	-	-	-	46,668	
Program Revenues	-	-	-	541,169	541,169	
Other	60,689	5,000	-	3,250	68,939	
Total Revenues	<u>13,942,065</u>	<u>1,322,248</u>	<u>383,320</u>	<u>2,206,826</u>	<u>17,854,459</u>	
Expenditures						
General Government	2,728,358	68,504	-	6,047	2,802,909	
Public Safety	6,458,315	-	-	1,268,817	7,727,132	
Public Works	2,364,122	-	407,547	-	2,771,669	
Culture and Recreation	-	-	-	1,254,531	1,254,531	
Investment Loss	-	3,072,483	-	-	3,072,483	
Miscellaneous	190,811	-	-	7,092	197,903	
Capital Projects	-	1,933,760	109,564	-	2,043,324	
Total Expenditures	<u>11,741,606</u>	<u>5,074,747</u>	<u>517,111</u>	<u>2,536,487</u>	<u>19,869,951</u>	
Excess (Deficit) of Revenues Over Expenditures	<u>2,200,459</u>	<u>(3,752,499)</u>	<u>(133,791)</u>	<u>(329,661)</u>	<u>(2,015,492)</u>	
Other Financing Sources (Uses)						
Operating Transfers In	-	1,746,774	-	874,046	2,620,820	
Operating Transfers Out	\$ (1,383,657)	(1,237,163)	-	-	(2,620,820)	
Proceeds from Sale of Capital Assets	-	23,788	-	-	23,788	
Total Other Financing Sources (Uses)	<u>(1,383,657)</u>	<u>533,399</u>	<u>-</u>	<u>874,046</u>	<u>23,788</u>	
Net Change in Fund Balances	816,802	(3,219,100)	(133,791)	544,385	(1,991,704)	
Fund Balances - Beginning of Year	<u>8,168,304</u>	<u>64,337,780</u>	<u>1,895,333</u>	<u>668,129</u>	<u>75,069,546</u>	
Fund Balances - End of Year	<u>\$ 8,985,106</u>	<u>\$ 61,118,680</u>	<u>\$ 1,761,542</u>	<u>\$ 1,212,514</u>	<u>\$ 73,077,842</u>	

The accompanying notes are integral to the financial statements as a whole.

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

Net Change in Fund Balances - Total Governmental Funds \$ (1,991,704)

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

Governmental funds report capital outlay 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

Expenditures less disposals for general capital assets, infrastructure, and other related capital assets adjustments	2,402,480
Current year depreciation	(1,383,752)

The change in Net Pension Liability and Deferrals are reported in the Statement of Activities but are not reported in the Governmental Funds.	(367,602)
--	-----------

In the statement of activities, certain operating expenses are measured by the amounts
 earned during the year. In the Governmental Funds, however, expenditures for these items
 are measured by the amount of the financial resource used.

Compensated Absences	12,290
----------------------	--------

Other postemployment benefits do not require the use of current financial resources,
 therefore, are not reported as expenditures in Governmental Funds as follows:

Change in postemployment benefits	(168,448)
-----------------------------------	-----------

Some of the Township's revenues will be collected after year-end
 but are not available soon enough to pay for the current period's
 expenditures and therefore are deferred in the funds. The change
 in those amounts for the year were:

	(5,841)
--	---------

Change in Net Position of Governmental Activities	\$ <u><u>(1,502,577)</u></u>
---	------------------------------

LIMERICK TOWNSHIP
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2022

	Pension Trust Funds	Custodial Funds
Assets		
Cash, Restricted	\$ 157,428	\$ 564,823
Investments, Restricted	15,345,667	-
Accounts Receivable	-	142,259
Due from Other Funds	-	4,440
	<u>15,503,095</u>	<u>711,522</u>
Total Assets		
Liabilities		
Accounts Payable	<u>\$ -</u>	<u>\$ 343,012</u>
Net Position		
Restricted for Pensions	\$ 15,503,094	\$ -
Restricted for Custodial Purposes	-	368,510
	<u>15,503,094</u>	<u>368,510</u>
Total Net Position		

The accompanying notes are integral to the financial statements as a whole.

LIMERICK TOWNSHIP
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED DECEMBER 31, 2022

	Pension Trust Funds	Custodial Funds
Additions		
Contributions:		
Employer	\$ 113,618	\$ -
Employee	75,354	-
State Allocation	507,730	-
Developers	-	643,236
	<hr/>	<hr/>
Total Contributions	696,702	643,236
	<hr/>	<hr/>
Investment Earnings:		
Net Appreciation (Depreciation) in Fair Value of Investm	(3,915,925)	-
Net Investment Income	819,405	3,805
	<hr/>	<hr/>
Total Investment Earnings	(3,096,520)	3,805
Less Investment Expense	(51,316)	-
	<hr/>	<hr/>
Net Investment Earnings (Loss)	(3,147,836)	3,805
	<hr/>	<hr/>
Total Additions	(2,451,134)	647,041
	<hr/>	<hr/>
Deductions		
Benefits	297,212	-
Escrow Payments	-	643,933
	<hr/>	<hr/>
Total Deductions	297,212	643,933
	<hr/>	<hr/>
Change in Net Position	(2,748,346)	3,108
Net Position Held in Trust for Pension Benefits		
Net Position - Beginning of Year	18,251,440	365,402
	<hr/>	<hr/>
Net Position - End of Year	<u>\$ 15,503,094</u>	<u>\$ 368,510</u>
	<hr/>	<hr/>

The accompanying notes are integral to the financial statements as a whole.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Limerick Township (the “Township”) is governed by an elected five-member board. The financial statements of the Township include the departments and other organizational units over which the Board of Supervisors exercises oversight responsibility, including general government, public safety, parks and recreation and public works.

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

- One fire department receives a contribution from the Township. However, the department is organized under a separate charter and operates under the direction of a separate independent board not appointed by the Supervisors and, therefore, are not included in the financial statements.
- The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity, it is reported as if it is a part of the government as it is governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is a Fiduciary component unit and is reported as a fiduciary fund and does not issue separate financial statements.
- The Non-Uniform Pension Plan is a single employer defined benefit pension plan that provides pensions for all full-time non-uniform employees hired prior to January 1, 2009. Although the plan is a separate legal entity, it is reported as if it is a part of the government as it is governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is a Fiduciary component unit and is reported as a fiduciary fund and does not issue separate financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of Financial Statement Presentation – The basic financial of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Government-Wide Financial Statements – The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for Fiduciary Funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Township does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for Governmental Funds and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements – Fund financial statements report detailed information about the Township. The focus of Governmental Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Other nonmajor Governmental Funds are aggregated and presented in a single column (Other Governmental Funds).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major Governmental Funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety, public services and recreation. Those activities are funded principally by property taxes, Act 511 taxes, state shared taxes and grants from other governmental units.

Capital Reserve Funds – The Capital Reserve Funds are used to account for the proceeds of the sewer sale that have been reserved for future capital projects, the Capital Equipment Fund is used to purchase major capital equipment, and the Park Capital Fund used to fund park specific capital projects or open space acquisition.

Road Improvement Fund – The Road Improvement Fund is used to account for specific revenues and expenditures related to road and street improvements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds – The Township also reports the following Fiduciary Funds:

Police Pension and Non-Uniform Pension Trust Funds – The Pension Trust Funds accumulate money for the retirement of Township employees.

Custodial Funds – Custodial Funds include the Escrow Fund, which holds monies received for developers to ensure payment of legal and engineering expenses.

Budgets and Budgetary Accounting

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

1. A preliminary budget is presented to the Board of Supervisors in October.
2. During October and November, the Township holds budget workshops for the purpose of receiving oral and written comments from interested parties in regards to the proposed budget for the following year.
3. During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.
4. Prior to December 31, the Township holds a public hearing to obtain taxpayer comments, after which the budget is legally adopted through motion of the Board of Supervisors.
5. All budget revisions require the approval of the Township Board of Supervisors.
6. Formal budgetary integration is employed as a management control device during the year. Budgetary control is maintained at the object level.
7. Budgets are adopted on the modified accrual basis of accounting. All appropriations lapse at year-end.

Real Estate Tax

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. The Township employs an elected tax collector to collect the property tax levied. The tax collector remits Township taxes at least monthly and is paid on a commission basis. During the COVID-19 pandemic, the Township did not issue any penalties for late payment.

For 2022, tax was levied on the assessed value of real estate at a total of 2.593 mills.

The taxable assessed valuation of property as of January 1, 2022 was \$1,549,750,812.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Transfers**

Operating transfers between Governmental funds are reported as other financing sources (uses) within those funds.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the Governmental Funds balance sheet. Short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the statement of net position.

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition with no restrictions on withdrawal.

The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$2,000 and/or an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

	Years
Buildings	20-40
Building improvements	15-40
System infrastructure	7-50
Vehicles	3-10
Office equipment	5-10
Computer equipment	3-5

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township is a Phase III Government under the implementation guidance in GASB Statement No. 34 and, as such, elected not to capitalize all infrastructure assets retroactively. Therefore, these financial statements do not report the cost of roads, bridges and streetlights prior to 2002.

Compensated Absences

Unused sick benefits lapse at year-end for all employees with the exception of police officers hired prior to January 1, 2015. Accordingly, the accumulated sick leave of police officers is recorded in the government-wide statements.

Long-Term Obligations

In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable are evaluated for collectability, and an allowance is established, as deemed necessary, based on the best information available and in an amount management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Use of Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and are the result of changes in plan assumptions, and the difference between expected and actual experience. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the Plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. Unavailable revenue is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The deferred inflow of resources related to pension and OPEB are reported in the government-wide statement of net position and are the result of differences between expected and actual experience of the Plans.

Fund Balance

The following fund balance classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses and inventory.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types of this category include amounts for debt service, recreation activities, road and street improvements and water hydrant maintenance.
- **Committed Fund Balance** includes fund balance amount that are constrained for specific purposes that are internally imposed by the Township through formal action of the Limerick Township Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Limerick Township Supervisors take the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Township Board of Supervisors or by an official or body to which the Township Board delegates the authority. The Board of Supervisors give the authority to the Township Manager and Assistant Township Manager to assign the fund balance.
- **Unassigned Fund Balance** – Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE B – DEPOSITS AND INVESTMENTS**Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. As of December 31, 2022, \$846,936 was insured by the FDIC and \$11,648,710 of the Township's bank balance of \$12,495,646 was exposed to custodial credit risk as follows:

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Insured by FDIC	\$ 846,936
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the Government's Name	<u>11,648,710</u>
Total	<u>\$ 12,495,646</u>

Investments

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

Investment Type	Amortized Cost	Fair Value	Investment Maturities	
			Less Than One Year	1 to 5 Years
Money Markets	\$ -	\$ 212,751	\$ -	\$ 212,751
U.S. Government Notes, Agency	-	21,146,828	1,704,024	19,442,804
U.S. Treasury Obligation	-	23,740,843	-	23,740,843
Corporate Bonds	-	1,174,035	-	1,174,035
Foreign Issues	-	4,785,440	1,123,075	3,662,365
State Investment Pools	<u>11,983,360</u>	<u>-</u>	<u>11,983,360</u>	<u>-</u>
	<u>\$ 11,983,360</u>	<u>\$ 51,059,897</u>	<u>\$ 14,810,459</u>	<u>\$ 48,232,798</u>

Fair Value Measurement – The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township's corporate bonds are considered to be Level 2 investments and all other investments are considered to be Level 1 and were value based on quoted market prices.

A portion of the Township's investments are in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2021, is \$11,983,360. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis. As of December 31, 2022, the Township's investments in the state investment pool was rated AAm by Standard & Poor's.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The Township had \$11,983,360 invested in a PLGIT/PRIME account which limits redemptions or exchanges to two per calendar month.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – With the exception of Pension Trust Funds, state law limits investments in obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. The law also allows for the Township to invest in certificates of deposit of banks, savings and loans and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance and that deposits in excess of such insurance are collateralized by the depository.

The Township's investment policy does not further limit its investment choices.

The law provides that the Township's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

Pension Trust Funds

Pension Trust Fund investments are comprised of the following:

	Police Pension Plan		Non-Uniform Plan	
	Cost	Fair Value	Cost	Fair Value
Mutual funds/ETFs	<u>\$ 12,047,795</u>	<u>\$ 10,854,484</u>	<u>\$ 4,985,215</u>	<u>\$ 4,491,183</u>

NOTE C – RECEIVABLES

Receivables, which consist primarily of taxes and grants, are as follows:

GOVERNMENTAL FUNDS

General Fund	\$ 274,800
Recreation Fund	567
Road Improvement	243,149
Fire Protection Fund	3,369
Capital Reserve Funds	<u>218,129</u>
	<u>\$ 740,014</u>

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,383,657
Capital Reserve Fund	1,746,774	1,237,163
Recreation Fund	533,863	-
Fire Protection Fund	340,183	-
	<u><u>\$ 2,620,820</u></u>	<u><u>\$ 2,620,820</u></u>

Interfund receivable and payable balances as of December 31, 2022, were as follows:

	Receivable Fund	Payable Fund
General Fund	\$ -	\$ 792,294
Capital Reserve Fund	1,034,899	274,372
Fire Protection Fund	31,767	-
	<u><u>\$ 1,066,666</u></u>	<u><u>\$ 1,066,666</u></u>

NOTE E – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Township has reported all capital assets, including infrastructure, in the government-wide statement of net position. All capital assets, including other infrastructure systems, were reported using the basic approach, whereby accumulated depreciation and depreciation expense have been recorded. The following presents summary information on capital assets.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 6,267,728	\$ 2,517,276	\$ -	\$ 8,785,004
Construction in Progress	3,171,225	146,900	3,165,133	152,992
Total Capital Assets, Not Being Depreciated	<u><u>9,438,953</u></u>	<u><u>2,664,176</u></u>	<u><u>3,165,133</u></u>	<u><u>8,937,996</u></u>
Capital Assets Being Depreciated:				
Buildings and Improvements	15,559,769	160,625	-	15,720,394
Machinery, Vehicles, Furniture and Equipment	5,796,256	483,508	-	6,279,764
Infrastructure	24,603,439	2,259,304	-	26,862,743
Total Capital Assets, Being Depreciated	<u><u>45,959,464</u></u>	<u><u>2,903,437</u></u>	<u><u>-</u></u>	<u><u>48,862,901</u></u>
Accumulated Depreciation for:				
Buildings and Improvements	3,373,598	399,496	-	3,773,094
Machinery, Vehicles, Furniture and Equipment	3,536,848	429,091	-	3,965,939
Infrastructure	7,553,556	555,165	-	8,108,721
Total Accumulated Depreciation	<u><u>14,464,002</u></u>	<u><u>1,383,752</u></u>	<u><u>-</u></u>	<u><u>15,847,754</u></u>
Total Capital Assets, Being Depreciated, Net	<u><u>31,495,462</u></u>	<u><u>1,519,685</u></u>	<u><u>-</u></u>	<u><u>33,015,147</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$ 40,934,415</u></u>	<u><u>\$ 4,183,861</u></u>	<u><u>\$ 3,165,133</u></u>	<u><u>\$ 41,953,143</u></u>

NOTE E – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 152,212
Police, health and public safety	276,751
Public works	539,664
Culture and recreation	415,125
	<u><u>\$ 1,383,752</u></u>

NOTE F – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes in long-term liabilities occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Total OPEB Liability	\$ 2,744,165	\$ -	\$ 316,682	\$ 2,427,483	\$ -
Net Pension Liability	-	2,962,256	-	2,962,256	-
Compensated Absences	160,710	-	12,290	148,420	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,904,875</u>	<u>\$ 2,962,256</u>	<u>\$ 328,972</u>	<u>\$ 5,538,159</u>	<u>\$ -</u>

NOTE G – DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Method Used to Value Investments – Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration – The Township administers the Police Pension Plan – a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Pension Committee, which consists of five members appointed by the Township Board of Supervisor. The Pension Committee is responsible for managing, investing and monitoring the Township's Police Pension Fund.

Plan Membership – At December 31, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	29
	<u><u>40</u></u>

NOTE G – DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefits Provided – The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$100 per month per year of benefit services completed in excess of 25 years, up to a maximum of \$500 additional per month. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The disability retirement is payable monthly equal to 50% of the member's monthly salary at the time of disability, reduced by any Social Security disability benefits received by the member for the same injuries.

The benefit provisions of the plan are established by Township ordinances.

Contributions – The Township's police employees are required to contribute a percentage of their monthly salaries to the plan. The Township is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 2015, the Township was required to contribute \$507,730 to the plan for the year 2022.

Per the collective bargaining agreement, employees are required to contribute 2.25% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy – The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. It is the policy of the Pension Committee to pursue an investment strategy that reduces the risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

NOTE G – DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

The following was the Board's adopted asset allocation policy as of December 31, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity Management	
Value Style	0-25%
Growth	0-25%
Small-Mid Cap	
Value	0-20%
Growth	0-20%
International Equity Management	0-15%
Exchange Traded Funds	0-100%
Fixed Income Management	35-65%
Real Estate	0-5%
Commodities	0-5%

Concentrations – No more than 5% of the Township's investments are invested in any one investment.

Rates of Return – For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (16.44%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2022, were as follows:

	<u>Police Pension Plan</u>
Total Pension Liability	\$ 13,246,368
Plan Fiduciary Net Position	<u>(10,964,084)</u>
Net Pension Liability	<u><u>\$ 2,282,284</u></u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	3%
Salary increases	4.50%, average, including inflation
Investment rate of return	6.75%
Retirement age	Age 52 with 27 years of service

Mortality rates were based on the RP-2000 Mortality Table (Blue Collar) with Scale AA.

NOTE G – DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity Management	
Value Style	6.75%
Growth	6.75%
Small-Mid Cap	
Value	6.75%
Growth	6.75%
International Equity Management	6.75%
Exchange Traded Funds	6.75%
Fixed Income Management	6.75%
Real Estate	6.75%
Commodities	6.75%

Discount Rate – The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

NOTE G – DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)***Changes in Net Pension Liability***

	<u>Increase (Decrease)</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances at 12/31/21		<u>\$ 12,305,030</u>	<u>\$ 12,750,202</u>	<u>\$ (445,172)</u>
Changes for the Year				
Service Cost	424,366	-	424,366	
Interest on Total Pension Liability	853,444	-	853,444	
Changes in benefits	-	-	-	
Difference between expected and actual experience	(164,904)	-	(164,904)	
Changes in assumptions	-	-	-	
Employer Contributions	-	507,730	(507,730)	
Employee Contributions	-	75,354	(75,354)	
Net investment income (loss)	-	(2,163,782)	2,163,782	
Benefit payments, including employee refunds	(171,568)	(171,568)	-	
Administrative expense	-	(33,852)	33,852	
Other changes	-	-	-	
Net Changes	<u>941,338</u>	<u>(1,786,118)</u>	<u>2,727,456</u>	
Balances at 12/31/22		<u>\$ 13,246,368</u>	<u>\$ 10,964,084</u>	<u>\$ 2,282,284</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 of 6.75%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Decrease (7.75%)
Net pension (asset) liability	<u>\$ 4,354,715</u>	<u>\$ 2,282,284</u>	<u>\$ 678,131</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2022, the Township recognized pension expense of \$734,788 for the Police Pension Plan. At December 31, 2022, the Township reported deferred outflows and resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 1,540,836	\$ -
Differences in assumptions	748,708	-
Differences in experience	-	578,436
	<u>\$ 2,289,544</u>	<u>\$ 578,436</u>

NOTE G – DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

2023	\$	148,730
2024		347,159
2025		476,882
2026		673,987
2027		33,588
Thereafter		<u>30,762</u>
	<u>\$</u>	<u>1,711,108</u>

NOTE H – DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN)**Summary of Significant Accounting Policies**

Method Used to Value Investments – Non-Uniform Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

Plan Description

Plan Administration – The Township administers the Non-Uniform Pension Plan – a single-employer defined benefit pension plan that provides pensions for all full-time non-uniform employees hired prior to January 1, 2009.

Management of the plan is vested in the Pension Committee, which consists of five members appointed by the Township Board of Supervisors. The Pension Committee is responsible for managing, investing and monitoring the Township's Non-Uniform Pension Fund.

Plan Membership – At December 31, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>12</u>
	<u>37</u>

Benefits Provided – The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 62 and completion of one year of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, based upon the annuity option in effect. The amount of monthly pension is equal to 2% of average monthly compensation, multiplied by the number of years of credited service, up to maximum of 25 years. Average compensation is based upon the last 60 months of employment. Employees are eligible for early retirement starting at age 55 with benefits reduced by 6.67% for each year from 60 to 62 and by 3.335% from ages 55 to 60.

The benefit provisions of the plan are established by Township ordinances.

NOTE H – DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

Contributions – The Township is required to contribute the amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plan.

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Township was required to contribute \$124,640 to the plan for the year 2022.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. It is the policy of the Pension Committee to pursue an investment strategy that reduces the risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity Management	
Value Style	0-25%
Growth	0-25%
Small-Mid Cap	
Value	0-20%
Growth	0-20%
International Equity Management	0-15%
Exchange Traded Funds	0-100%
Fixed Income Management	35-65%
Real Estate	0-5%
Commodities	0-5%

Concentrations – No more than 5% of the Township's investments are invested in any one investment.

Rate of Return – For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (17.27%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE H – DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)**Net Pension (Asset) Liability of the Township**

The components of the net pension (asset) liability of the Township at December 31, 2022, were as follows:

	Non-Uniform Pension Plan
Total Pension Liability	\$ 5,218,982
Plan Fiduciary Net Position	<u>(4,539,010)</u>
Net Pension Liability	<u>\$ 679,972</u>

Plan fiduciary net position as a percentage of the total pension liability was 86.97%.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.50%, average, including inflation
Investment rate of return	6.75%
Retirement age	Age 52 with 27 years of service

Mortality rates were based on the RP-2000 Mortality Table (Blue Collar) with Scale AA.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity Management	
Value Style	6.75%
Growth	6.75%
Small-Mid Cap	
Value	6.75%
Growth	6.75%
International Equity Management	6.75%
Exchange Traded Funds	6.75%
Fixed Income Management	6.75%
Real Estate	6.75%
Commodities	6.75%

NOTE H – DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)

Discount Rate – The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 12/31/21	<u>\$ 4,933,805</u>	<u>\$ 5,501,238</u>	<u>\$ (567,433)</u>
Changes for the Year			
Service Cost	107,738	-	107,738
Interest on Total Pension Liability	336,064	-	336,064
Changes in benefits	-	-	-
Difference between expected and actual experience	(32,981)	-	(32,981)
Changes in assumptions	-	-	-
Employer Contributions	-	113,618	(113,618)
Employee Contributions	-	-	-
Net investment income (loss)	-	(932,738)	932,738
Benefit payments, including employee refunds	(125,644)	(125,644)	-
Administrative expense	-	(17,464)	17,464
Other changes	-	-	-
Net Changes	<u>285,177</u>	<u>(962,228)</u>	<u>1,247,405</u>
Balances at 12/31/22	<u>\$ 5,218,982</u>	<u>\$ 4,539,010</u>	<u>\$ 679,972</u>

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate – The following presents the net pension (asset) liability of the Township, calculated using the discount rate of 6.75%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Decrease (7.75%)
Net pension (asset) liability	<u>\$ 1,327,129</u>	<u>\$ 679,972</u>	<u>\$ 127,013</u>

NOTE H – DEFINED BENEFIT PENSION PLAN (NON-UNIFORM PENSION PLAN) (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

Related to Pensions – For the year ended December 31, 2022, the Township recognized pension expense of \$254,163 for the Non-Uniform Pension Plan. At December 31, 2022, the Township reported deferred outflows and resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and	\$ 633,384	\$ -
Differences in assumptions	107,270	-
Differences in experience	-	44,701
	<u><u>\$ 740,654</u></u>	<u><u>\$ 44,701</u></u>

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

2023	\$ 77,288
2024	163,950
2025	194,099
2026	260,616
2027	-
Thereafter	-
	<u><u>\$ 695,953</u></u>

NOTE I – OTHER PENSION PLANS**Defined Contribution Plan**

The Township also provides a defined contribution plan to any non-uniform employee hired on or after January 1, 2009. Pension expense for the year ended December 31, 2022, was \$136,522.

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The contributions are invested with an outside agent. Participants may borrow on their accounts.

NOTE J – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – POLICE**Plan Description**

The Township provides medical, prescription and dental insurance benefits to eligible retired officers and spouses. The benefits, benefits level, employee contribution and employer contribution are administered by the Township Supervisors and can be amended by the Township through its union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the Township's General Fund.

NOTE J – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – POLICE (Continued)**Funding Policy**

The Township negotiates the contribution percentage between the Township and employees through a union contract and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township.

Employees covered by benefit terms – At December 31, 2022, the following employees were covered by the benefit terms:

Active plan members	28
Retired members	1
	<u>29</u>

Total OPEB Liability

The Township's total OPEB liability of \$2,427,483 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial assumptions and other inputs – The total OPEB liability in the December 31, 2022 actuarial report was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Medical inflation rate	6.5% increase in the first year, decreasing by 0.5% per year to ultimate rate of 5%
Inflation	3.00%
Wage inflation	3.50%
Salary increases	4.75%, average, including inflation
Long-term Investment rate of return	3.72% (12/31/2022 Bond Buyer Municipal Bond Index AA) 2.06% (12/31/2021 Bond Buyer Municipal Bond Index AA)
Retirement age	Age 54 and 29 years of service
Turnover Rate	Sarason T-1 Turnover rates
Entry Age	Normal cost method expressed as a percentage of pay

Mortality rates were based on the RP-2000 Mortality Table (Blue Collar) with Scale AA.

Changes in the Total OPEB Liability of the Township

	Total OPEB Liability	Increase (Decrease)	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 12/31/21	\$ 2,744,165	\$ -	\$ 2,744,165	
Changes for the Year				
Service Cost		138,475	-	138,475
Interest on Total Pension Liability		59,382	-	59,382
Difference between expected and actual experience		(514,539)	-	(514,539)
Net Changes		(316,682)	-	(316,682)
Balances at 12/31/22	\$ 2,427,483	\$ -	\$ 2,427,483	

NOTE J – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – POLICE (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate – The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.72%) or 1-percentage point higher (4.72%) than the current discount rate:

	1% <u>Decrease</u> (2.72%)	Current Discount Rate <u>3.72%</u>	1% <u>Increase</u> (4.72%)
Total OPEB Liability	\$ 2,652,209	\$ 2,427,483	\$ 2,222,596

Sensitivity of the total OPEB liability to changes in the medical inflation rate – The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% <u>Decrease</u>	Current Medical Inflation Rate	1% <u>Increase</u>
Total OPEB Liability	\$ 2,249,236	\$ 2,427,483	\$ 2,627,453

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the Township recognized OPEB expense of \$168,448. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Difference between expected and actual experience	<u>\$ 265,492</u>	<u>\$ 629,063</u>

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

<u>Year Ending December 31,</u>	
2023	\$ (29,409)
2024	(29,409)
2025	(29,409)
2026	(29,409)
2027	(29,409)
Thereafter	<u>(216,526)</u>
	<u>\$ (363,571)</u>

NOTE K – CONTINGENCIES

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

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

NOTE L – RISK MANAGEMENT

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. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risk have not exceeded commercial insurance coverage in any of the past three years.

Required Supplementary Information

LIMERICK TOWNSHIP
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2022

	Original	Final	Actual	Variance with Final Budget Pos (Neg)
Revenues				
Taxes	\$ 9,484,950	\$ 10,545,154	\$ 10,935,988	\$ 390,834
Fees, Licenses and Permits	1,162,979	1,569,732	1,482,764	(86,968)
Interests and Rents	18,000	167,192	171,231	4,039
Intergovernmental Revenues	538,583	1,175,373	1,244,725	69,352
Fines, Forfeits, and Costs	55,000	51,109	46,668	(4,441)
Other	16,150	20,818	60,689	39,871
Total Revenues	<u>11,275,662</u>	<u>13,529,378</u>	<u>13,942,065</u>	<u>412,687</u>
Expenditures				
General Government	2,836,471	2,740,642	2,728,358	12,284
Public Safety	6,701,660	6,482,273	6,458,315	23,958
Public Works	2,521,350	2,407,220	2,364,122	43,098
Miscellaneous	236,800	240,878	190,811	50,067
Total Expenditures	<u>12,296,281</u>	<u>11,871,013</u>	<u>11,741,606</u>	<u>129,407</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,020,619)</u>	<u>1,658,365</u>	<u>2,200,459</u>	<u>542,094</u>
Other Financing Sources (Uses)				
Operating Transfers In	1,200,000	-	-	-
Operating Transfers Out	(894,101)	(837,334)	(1,383,657)	(546,323)
Total Other Financing Sources (Uses)	<u>305,899</u>	<u>(837,334)</u>	<u>(1,383,657)</u>	<u>(546,323)</u>
Net Change in Fund Balances	<u>\$ (714,720)</u>	<u>\$ 821,031</u>	<u>\$ 816,802</u>	<u>\$ (4,229)</u>
Fund Balances - Beginning of Year			<u>8,168,304</u>	
Fund Balances - End of Year			<u>\$ 8,985,106</u>	

See accompanying notes to the budgetary comparison schedule.

LIMERICK TOWNSHIP
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

NOTE A - BUDGET POLICY

The Board of Supervisors annually adopts the budget for the General Fund of the Township. Management may not amend the budget without approval of the governing body. Uncommitted appropriations lapse at year-end. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

LIMERICK TOWNSHIP
 SCHEDULE OF CHANGES IN THE NET POLICE PENSION
 PLAN LIABILITY AND RELATED RATIOS
 YEAR ENDED DECEMBER 31, 2022

	Police								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 424,366	\$ 386,361	\$ 360,492	\$ 373,083	\$ 329,797	\$ 327,521	\$ 246,047	\$ 243,761	\$ 236,746
Interest	853,444	818,788	758,482	693,317	636,041	524,006	502,435	459,281	408,015
Differences Between Actual and Expected Experience, if any	(164,904)	(391,468)	(187,502)	-	-	527,043	-	142,297	-
Assumptions Changes	-	651,219	-	(116,816)	(87,344)	(77,521)	(77,521)	(77,521)	(67,939)
Benefit Payments, Including Refunds of Employee Contributions	(171,568)	(134,266)	(116,816)	(38,159)	(117,027)	246,892	(7,796)	(213,278)	7,390
Net change in Total Pension Liability	941,338	1,330,634	814,656	911,425	761,467	1,547,941	663,165	554,540	584,212
Total Pension Liability - Beginning	12,305,030	10,974,396	10,159,740	9,248,315	8,486,848	6,938,907	6,275,742	5,721,202	5,136,990
Total Pension Liability - Ending (a)	13,246,368	12,305,030	10,974,396	10,159,740	9,248,315	8,486,848	6,938,907	6,275,742	5,721,202
Plan Fiduciary Net Position									
Contributions - Employer and State Aid	507,730	601,826	606,688	519,135	487,259	359,685	358,489	345,036	327,874
Contributions - Member	75,354	68,704	65,970	66,388	63,964	58,478	41,450	23,850	21,729
Contributions - Other	-	-	-	-	-	-	-	-	-
Net Investment Income (Loss)	(2,163,782)	1,537,199	1,278,129	1,510,879	(465,745)	903,106	355,286	(12,005)	215,890
Benefit Payments	(171,568)	(134,266)	(116,816)	(116,816)	(87,344)	(77,521)	(77,521)	(77,521)	(67,939)
Administrative Expense	(33,852)	(35,818)	(27,819)	(26,067)	(24,569)	(24,757)	(21,207)	(19,167)	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Position	(1,786,118)	2,037,645	1,806,152	1,953,519	(26,435)	1,218,991	656,497	260,193	497,554
Plan Fiduciary Net Position - Beginning	12,750,202	10,712,557	8,906,405	6,952,886	6,979,321	5,760,330	5,103,833	4,843,640	4,346,086
Plan Fiduciary Net Position - Ending (b)	10,964,084	12,750,202	10,712,557	8,906,405	6,952,886	6,979,321	5,760,330	5,103,833	4,843,640
Net Pension Liability (a) - (b)	\$ 2,282,284	\$ (445,172)	\$ 261,839	\$ 1,253,335	\$ 2,295,429	\$ 1,507,527	\$ 1,178,577	\$ 1,171,909	\$ 877,562
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.77%	103.62%	97.61%	87.66%	75.18%	82.24%	83.01%	81.33%	84.66%
Covered Payroll	\$ 3,256,004	\$ 3,267,714	\$ 3,340,422	\$ 3,110,791	\$ 3,215,481	\$ 2,867,795	\$ 2,685,827	\$ 2,248,910	\$ 2,259,199
Net Pension Liability as a Percentage of Covered Payroll	70.09%	-13.62%	7.84%	40.29%	71.39%	52.57%	43.88%	52.11%	38.84%

Notes to schedule

Assumption changes: For the January 1, 2015 valuation, the interest rate was lowered from 8.0% to 7.75%. For the January 1, 2017 valuation, the interest rate used was decreased from 7.75% to 7.25%. For the January 1, 2019 valuation, the interest rate used was increased from 7.25% to 7.75%. For the January 1, 2021 valuation, the interest rate used was decreased from 7.75% to 6.75%.

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

LIMERICK TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 507,730	\$ 601,826	\$ 606,688	\$ 519,135	\$ 487,259	\$ 359,685	\$ 358,489	\$ 345,036	\$ 327,874
Contribution in Relation to the Actuarially Determined Contribution	507,730	601,826	606,688	519,135	487,259	359,685	358,489	345,036	327,874
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,256,004	\$ 3,267,714	\$ 3,340,422	\$ 3,110,791	\$ 3,215,481	\$ 2,867,795	\$ 2,685,827	\$ 2,248,910	\$ 2,259,199
Contributions as a Percentage of Covered Payroll	15.59%	18.42%	18.16%	16.69%	15.15%	12.54%	13.35%	15.34%	14.51%

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	1/1/2021	1/1/2019	1/1/2017	1/1/2015	1/1/2013
Actuarial Valuation Date	Entry Age Normal				
Actuarial Cost Method	Level Dollar Closed				
Amortization Method	7 Years	13 Years	12 Years	12 Years	12 Years
Amortization Period					
Asset Valuation Method	Market Value				
Inflation	3%	3%	3%	3%	3%
Salary Increases	4.50% average annual increase	4.75% average annual increase			
Investment Rate of Return	6.75%	7.25%	7.25%	7.75%	7.75%
Retirement Age	Age 52 with 27 years of service				
Mortality	RP-2000 Mortality Table				
	(Blue Collar) Scale with AA				

Notes to Schedule

Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

LIMERICK TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS
LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-weighted Rate of Return, Net of Investment Expense	-16.44%	14.00%	13.56%	21.19%	-6.69%	15.28%	6.99%	-0.52%	5.82%

Notes to Schedule

Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

LIMERICK TOWNSHIP
 SCHEDULE OF CHANGES IN THE NET NON-UNIFORM PENSION
 PLAN LIABILITY AND RELATED RATIOS
 LAST NINE FISCAL YEARS

	Non-Uniform									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Total Pension Liability										
Service Cost	\$ 107,738	\$ 97,000	\$ 94,195	\$ 91,939	\$ 91,111	\$ 92,977	\$ 99,798	\$ 97,018	\$ 98,606	
Interest	336,064	323,918	305,112	288,423	272,056	258,909	257,849	233,848	215,189	
Differences Between Actual and Expected Experience, if any	(32,981)	(43,540)	(27,050)	-	-	163,695	-	68,457	-	
Assumptions Changes	-	243,919	-	(114,683)	(117,780)	(76,423)	(66,276)	(58,150)	(52,750)	
Benefit Payments, Including Refunds of Employee Contributions	(125,644)	(116,660)	(114,683)	(37,742)	(22,002)	(235,283)	(35,402)	(30,191)	(30,030)	
Net change in Total Pension Liability	285,177	504,637	257,574	227,937	223,385	203,875	255,969	310,982	231,015	
Total Pension Liability - Beginning	<u>4,933,805</u>	<u>4,429,168</u>	<u>4,171,594</u>	<u>3,943,657</u>	<u>3,720,272</u>	<u>3,516,397</u>	<u>3,260,428</u>	<u>2,949,446</u>	<u>2,718,431</u>	
Total Pension Liability - Ending (a)	<u>5,218,982</u>	<u>4,933,805</u>	<u>4,429,168</u>	<u>4,171,594</u>	<u>3,943,657</u>	<u>3,720,272</u>	<u>3,516,397</u>	<u>3,260,428</u>	<u>2,949,446</u>	
Plan Fiduciary Net Position										
Contributions - Employer and State Aid	113,618	165,941	171,078	143,176	142,413	124,859	135,286	147,141	133,479	
Contributions - Member	-	-	-	-	-	-	-	-	-	
Contributions - Other	-	-	-	-	-	-	-	-	-	
Net Investment Income	(932,738)	681,019	580,047	743,340	(231,417)	484,197	200,910	(5,830)	141,082	
Benefit Payments	(125,644)	(116,660)	(114,683)	(114,683)	(117,780)	(76,423)	(66,276)	(58,150)	(52,750)	
Administrative Expense	(17,464)	(20,940)	(15,628)	(15,264)	(15,025)	(16,640)	(14,417)	(13,070)	(16,536)	
Miscellaneous	-	-	-	-	-	-	-	-	-	
Net Change in Plan Fiduciary Position	(962,228)	709,360	620,814	756,569	(221,809)	515,993	255,503	70,091	205,275	
Plan Fiduciary Net Position - Beginning	<u>5,501,238</u>	<u>4,791,878</u>	<u>4,171,064</u>	<u>3,414,495</u>	<u>3,636,304</u>	<u>3,120,311</u>	<u>2,864,808</u>	<u>2,794,717</u>	<u>2,589,442</u>	
Plan Fiduciary Net Position - Ending (b)	<u>4,539,010</u>	<u>5,501,238</u>	<u>4,791,878</u>	<u>4,171,064</u>	<u>3,414,495</u>	<u>3,636,304</u>	<u>3,120,311</u>	<u>2,864,808</u>	<u>2,794,717</u>	
Net Pension Liability (a) - (b)	<u>\$ 679,972</u>	<u>\$ (567,433)</u>	<u>\$ (362,710)</u>	<u>\$ 530</u>	<u>\$ 529,162</u>	<u>\$ 83,968</u>	<u>\$ 396,086</u>	<u>\$ 395,620</u>	<u>\$ 154,729</u>	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.97%	111.50%	108.19%	99.99%	86.58%	97.74%	88.74%	87.87%	94.75%	
Covered Payroll	\$ 1,047,726	\$ 1,163,647	\$ 1,096,377	\$ 1,100,685	\$ 1,127,059	\$ 1,147,860	\$ 1,101,065	\$ 1,363,192	\$ 1,326,883	
Net Pension Liability as a Percentage of Covered Payroll	64.90%	-48.76%	-33.08%	0.05%	46.95%	7.32%	35.97%	29.02%	11.66%	

Notes to schedule

Assumption changes: For the January 1, 2015 valuation, the interest rate was lowered from 8.0% to 7.75%. For the January 1, 2017 valuation, the interest rate used was decreased from 7.75% to 7.25%. For the January 1, 2019 valuation, the interest rate used was increased from 7.25% to 7.75%. For the January 1, 2021 valuation, the interest rate used was decreased from 7.75% to 6.75%.

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

LIMERICK TOWNSHIP
SCHEDULE OF NON-UNIFORM PENSION PLAN CONTRIBUTIONS
LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 113,618	\$ 165,941	\$ 171,078	\$ 143,176	\$ 142,413	\$ 124,859	\$ 135,286	\$ 147,141	\$ 133,479
Contribution in Relation to the Actuarially Determined Contribution	<u>113,618</u>	<u>165,941</u>	<u>171,078</u>	<u>143,176</u>	<u>142,413</u>	<u>124,859</u>	<u>135,286</u>	<u>147,141</u>	<u>133,479</u>
Contribution Deficiency (Excess)	<u>\$ -</u>								
Covered Payroll	\$ 1,047,726	\$ 1,163,647	\$ 1,096,377	\$ 1,100,685	\$ 1,127,059	\$ 1,147,860	\$ 1,101,065	\$ 1,363,192	\$ 1,326,883
Contributions as a Percentage of Covered Payroll	10.84%	14.26%	15.60%	13.01%	12.64%	10.88%	12.29%	10.79%	10.06%

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	1/1/2021	1/1/2019	1/1/2017	1/1/2015	1/1/2013
Actuarial Cost Method	Entry Age Normal				
Amortization Method	Level Dollar Closed				
Remaining Amortization Period	0 Years	14 Years	13 Years	13 Years	13 Years
Asset Valuation Method	Market Value				
Inflation	3%	3%	3%	3%	3%
Salary Increases	4.50% average annual increase	4.75% average annual increase			
Investment Rate of Return	6.75%	7.25%	7.25%	7.75%	7.75%
Retirement Age	Age 52 with 27 years of service				
Mortality	RP-2000 Mortality Table (Blue Collar) Scale with AA				

Notes to Schedule

Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

LIMERICK TOWNSHIP

SCHEDULE OF NON-UNIFORM PENSION PLAN INVESTMENT RETURNS
LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-weighted Rate of Return	-17.27%	14.10%	13.94%	21.20%	-6.78%	15.38%	7.04%	-0.52%	5.58%
Net of Investment Expense									

Notes to Schedule

Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

LIMERICK TOWNSHIP
 SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
 BENEFIT PLAN LIABILITY AND RELATED RATIOS
 LAST FIVE FISCAL YEARS

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 138,475	\$ 143,845	\$ 144,604	\$ 109,445	\$ 124,756
Interest	59,382	53,265	65,680	83,200	68,124
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(514,539)	180,183	(89,030)	150,503	(119,919)
Changes of Assumptions	-	-	-	-	-
Benefit Payments	-	(3,584)	(6,559)	(14,424)	(3,057)
Net Change in Total OPEB Liability	(316,682)	373,709	114,695	328,724	69,904
Total OPEB Liability - Beginning	2,744,165	2,370,456	2,255,761	1,927,037	1,857,133
Total OPEB Liability - Ending	<u>\$ 2,427,483</u>	<u>\$ 2,744,165</u>	<u>\$ 2,370,456</u>	<u>\$ 2,255,761</u>	<u>\$ 1,927,037</u>
Covered Payroll	\$ 3,417,244	\$ 3,335,575	\$ 3,340,422	\$ 2,748,895	\$ 2,896,398
Total OPEB Liability as a Percentage of Covered Payroll	<u>71.04%</u>	<u>82.27%</u>	<u>70.96%</u>	<u>82.06%</u>	<u>66.53%</u>

Notes to Schedule

Discount rate changes: For the January 1, 2022 valuation, the discount rate was raised from 2.06% to 3.72%.

* Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

Supplementary Information Section

LIMERICK TOWNSHIP
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2022

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Fire Protection Fund	Liquid Fuels Fund	Recreation Fund	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 347,135	\$ 869,202	\$ 74,412	\$ 1,290,749
Receivables, Taxes and Other	3,369	-	567	3,936
Due From Other Funds	31,767	-	-	31,767
Prepaid Expenses	<u>118,483</u>	<u>-</u>	<u>1,210</u>	<u>119,693</u>
Total Assets	\$ 500,754	\$ 869,202	\$ 76,189	\$ 1,446,145
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts Payable and Accrued Expenses	\$ 157,440	\$ -	\$ 76,191	\$ 233,631
Total Liabilities	\$ 157,440	\$ -	\$ 76,191	\$ 233,631
<u>Fund Balances</u>				
Restricted for:				
Road and Street Improvements	-	869,202	-	869,202
Fire Protection	343,314	-	-	343,314
Unassigned	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Total Fund Balances	343,314	869,202	(2)	1,212,514
Total Liabilities and Fund Balances	\$ 500,754	\$ 869,202	\$ 76,189	\$ 1,446,145

LIMERICK TOWNSHIP
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Fire Protection Fund	Liquid Fuels Fund	Recreation Fund	
Revenues				
Taxes	\$ 659,681	\$ 626,183	\$ 113,075	\$ 1,398,939
Interest and Rents	8,023	12,850	62,615	83,488
Intergovernmental Revenues	179,980	-	-	179,980
Program Revenues	-	-	541,169	541,169
Other	-	-	3,250	3,250
Total Revenues	847,684	639,033	720,109	2,206,826
Expenditures				
General Government	5,142	-	905	6,047
Public Safety	1,268,817	-	-	1,268,817
Public Works	-	-	-	-
Miscellaneous	7,092	-	-	7,092
Culture and Recreation	-	-	1,254,531	1,254,531
Total Expenditures	1,281,051	-	1,255,436	2,536,487
Excess (Deficit) of Revenues Over Expenditures	(433,367)	639,033	(535,327)	(329,661)
Other Financing Sources (Uses)				
Transfers In (Out)	340,183	-	533,863	874,046
Total Other Financing Sources (Uses)	340,183	-	533,863	874,046
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(93,184)	639,033	(1,464)	544,385
Fund Balances - Beginning of Year	436,498	230,169	1,462	668,129
Fund Balances - End of Year	\$ 343,314	\$ 869,202	\$ (2)	\$ 1,212,514

LIMERICK TOWNSHIP
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2022

	Component Unit - Pension Trust Funds		
	Police	Non-Uniformed Employees	Total
Assets			
Cash, Restricted	\$ 109,600	\$ 47,827	\$ 157,427
Investments, Restricted	<u>10,854,484</u>	<u>4,491,183</u>	<u>15,345,667</u>
 Total Assets	 <u>\$ 10,964,084</u>	 <u>\$ 4,539,010</u>	 <u>\$ 15,503,094</u>
 Net Position Restricted for Pensions	 <u>\$ 10,964,084</u>	 <u>\$ 4,539,010</u>	 <u>\$ 15,503,094</u>

LIMERICK TOWNSHIP
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED DECEMBER 31, 2022

	Component Unit - Pension Trust Funds		
	Police	Non-Uniformed Employees	Total
Additions			
Contributions:			
Employer	\$ -	113,618	\$ 113,618
Employees	75,354	-	75,354
State Allocation	507,730	-	507,730
Total Contributions	<u>583,084</u>	<u>113,618</u>	<u>696,702</u>
Investment Earnings			
Net Appreciation (Depreciation) in Fair Value of Investments	(2,757,445)	(1,158,480)	(3,915,925)
Net Investment Income (Loss)	593,663	225,742	819,405
Total Investment Earnings (Loss)	(2,163,782)	(932,738)	(3,096,520)
Less Investment Expense	(33,852)	(17,464)	(51,316)
Net Investment Earnings (Loss)	<u>(2,197,634)</u>	<u>(950,202)</u>	<u>(3,147,836)</u>
Total Additions	<u>(1,614,550)</u>	<u>(836,584)</u>	<u>(2,451,134)</u>
Deductions			
Benefits	<u>171,568</u>	<u>125,644</u>	<u>297,212</u>
Total Deductions	<u>171,568</u>	<u>125,644</u>	<u>297,212</u>
Changes in Net Position			
Net Position - Beginning of Year	<u>12,750,202</u>	<u>5,501,238</u>	<u>18,251,440</u>
Net Position - End of Year	<u>\$ 10,964,084</u>	<u>\$ 4,539,010</u>	<u>\$ 15,503,094</u>



Zelenkofske Axelrod LLC
CERTIFIED PUBLIC ACCOUNTANTS
EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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 Board of Supervisors
 Limerick Township
 Limerick, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Limerick Township as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Limerick Township's basic financial statements, and have issued our report thereon dated June 15, 2023.

Report on Internal Control Over Financial Reporting

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

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



Zelenkofske Axelrod LLC
CERTIFIED PUBLIC ACCOUNTANTS
 EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Board of Supervisors
 Limerick Township
 Limerick, Pennsylvania

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Zelenkofske Axelrod LLC

Jamison, Pennsylvania
 June 15, 2023



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Supervisors
Limerick Township
Limerick, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Limerick 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 Limerick Township's major federal program for the year ended December 31, 2022. Limerick Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Limerick 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 the major federal program. Our audit does not provide a legal determination of Limerick 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 Limerick Township's federal programs.



To the Board of Supervisors
 Limerick Township
 Limerick, Pennsylvania

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 Limerick 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 GAAS, *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 Limerick Township's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Limerick 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 Limerick Township'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 Limerick 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.



Zelenkofske Axelrod LLC
CERTIFIED PUBLIC ACCOUNTANTS
 EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Board of Supervisors
 Limerick Township
 Limerick, Pennsylvania

Report on Internal Control Over Compliance

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Zelenkofske Axelrod LLC

Jamison, Pennsylvania
 June 15, 2023

Supplementary Information – Single Audit

LIMERICK TOWNSHIP
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Program Title	Federal ALN	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION Passed through PA Department of Transportation				
Highway Planning and Construction Cluster	20.205	R19060007	\$ 550,459	\$ -
U.S. DEPARTMENT OF JUSTICE				
Emergency Law Enforcement Assistance Grant	16.824	N/A	6,479	-
U.S. DEPARTMENT OF TREASURY				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Direct Award	21.027	N/A	505,000 *	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,061,938</u>	<u>\$ -</u>

* Denotes Major Program tested

See accompanying notes to the Schedule of Expenditures of Federal Awards

LIMERICK TOWNSHIP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

NOTE A - REPORTING ENTITY

Limerick Township is the reporting entity for financial reporting purposes as defined in Note A of Limerick Township's financial statements.

NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Limerick Township under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operation of Limerick Township, it is not intended to and does not present the financial position or change in net position of Limerick Township.

NOTE C - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Township's federal award program presented using the modified accrual basis of accounting as described in the financial statements.

The Township has not elected to use the 10% de minimis indirect cost rate as discussed in 2 CFR 200.414(f).

LIMERICK TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

1. Type of auditor’s report issued: Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?
 Yes X None reported

3. Noncompliance material to financial statements noted? Yes X No

4. Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?
 Yes X None reported

5. Type of auditor’s report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Uniform
Guidance? Yes X No

7. Major Programs:

Assistance Listing Number and Name of Federal Program

21.027 - COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

None Reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported

LIMERICK TOWNSHIP
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2022

No findings were reported.