

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN**

AUDITED FINANCIAL STATEMENT

DECEMBER 31, 2018



CYNTHIA FELZER LEITZELL, CPA
STELLA C. ECONOMIDIS, CPA

LEITZELL & ECONOMIDIS, PC
CERTIFIED PUBLIC ACCOUNTANTS

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
STATEMENT OF FIDUCIARY NET POSITION.....	3
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION.....	4
NOTES TO THE FINANCIAL STATEMENTS.....	5-12
 Required Supplementary Information:	
SCHEDULE OF CHANGES IN UPPER PROVIDENCE TOWNSHIP'S NET PENSION LIABILITY AND RELATED RATIOS.....	13
SCHEDULE OF INVESTMENT RETURNS, TOWNSHIP CONTRIBUTIONS AND ACTUARIAL INFORMATION.....	14-15
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.....	16-17



CYNTHIA FELZER LEITZELL, CPA
STELLA C. ECONOMIDIS, CPA

LEITZELL & ECONOMIDIS, PC

CERTIFIED PUBLIC ACCOUNTANTS

To the Members of Council
Upper Providence Township
Media, Pennsylvania

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Upper Providence Township Police Pension Plan, Media, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Upper Providence Township Police Pension Plan, Media, Pennsylvania, as of December 31, 2018, and respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that certain pension information on pages 13 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2019, on our consideration of Upper Providence Township Police Pension Plan'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Upper Providence Township Police Pension Plan's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Leitzell & Economidis PC". The signature is cursive and fluid, with "Leitzell" and "Economidis" connected by a flourish, and "PC" written in a smaller, separate area.

LEITZELL & ECONOMIDIS, PC
Certified Public Accountants

May 8, 2019
Media, Pennsylvania

UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2018

ASSETS

Investments, at fair value:

Pennsylvania State Association of Boroughs (PSAB)	\$ 5,383,215
Retirement Trust	133,350
Restricted Deferred Retirement Option Program (DROP)	1,717
Contribution receivable	
Total assets	<u>5,518,282</u>

LIABILITIES

FIDUCIARY NET POSITION

Restricted - held in trust for pension benefits	<u>\$ 5,518,282</u>
---	---------------------

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018**

ADDITIONS:

Contributions:	
Employer	\$ 305,982
Employees	68,649
Commonwealth of Pennsylvania	140,532
Total contributions	<u>515,163</u>
Investment income (loss):	
Interest and dividends	89,117
Net depreciation in fair value of investments	<u>(355,381)</u>
	(266,264)
Less: investment expense	(26,495)
Net investment income (loss)	<u>(292,759)</u>
Total additions	<u>222,404</u>

DEDUCTIONS

Deductions in net position attributed to:	
Benefits	243,427
Administrative expenses	4,000
Total deductions	<u>247,427</u>
Net decrease	(25,023)
Fiduciary net position - beginning of the year	5,543,305
Fiduciary net position - end of the year	<u>\$ 5,518,282</u>

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

The Upper Providence Township Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 145 adopted pursuant to Act 600 of the General Assembly of Pennsylvania. The Plan was established effective September 9, 1971, restated by Ordinance No. 398, effective January 1, 2003. The Plan is governed by the Council of Upper Providence Township, which is responsible for the management of Plan assets. The Council has delegated authority to manage certain Plan assets to the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT).

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis whereby revenue is recognized when earned and expenditures are recognized when incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer and/or Commonwealth contributions are recognized in the period when due and a formal commitment has been made to provide the contribution. Expenditures include all costs incurred to provide administration and retirement benefits during the period. Refunds are recognized when due and payable in accordance with the terms of the Plan. Benefits are reflected in the financial statements upon payment.

Method Used to Value Investments

The Plan's investments are measured and reported at fair value and are classified according to the following hierarchy:

Level 1—Investments reflect prices quoted in active markets.

Level 2—Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3—Investments which reflect prices based on unobservable resources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The Plan considers all investments to be Level 1.

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments are reported at fair market value. Fair market value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. Unrealized gains and/or losses due to fluctuations in market value are recorded in the financial statements. Securities traded on national exchanges are valued at the last reported sales price at current exchange rates. Realized gains or losses are recorded at the time of sale. Net appreciation or depreciation in the fair value of plan investments includes both realized and unrealized gains and losses and related fees as well as investment return.

The Plan assets are managed by the Pennsylvania State Association of Boroughs in its Municipal Retirement Trust (PSABMRT) of which the Township Plan has a 1.9594% ownership interest.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

At December 31, 2018, there were investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represents five percent or more of net position available for benefits ($\$5,518,282 \times .05 = \$275,914$):

Investment with PSAB Retirement Trust	\$ 5,383,215
---------------------------------------	--------------

Deposits and Investments

The Governmental Accounting Standards Board, in Statements No. 3 and 40 (GASB 3 and 40), requires certain note disclosures about governmental entities' deposits with financial institutions, investments (including repurchase agreements) and reverse repurchase agreements. The disclosure required by GASB 3 and GASB 40 will provide readers with information about collateralization, credit risks and market risks.

The Plan's deposits and investments are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments Section 7302.

The Plan held no deposits that were exposed to custodial credit risk or foreign currency risk at December 31, 2018.

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. PSABMRT is not rated by a nationally recognized statistical rating organization. However, PSABMRT has a formal investment policy requiring that any fixed income security maintained within its portfolio should be rated BBB- or higher at the time of purchase. Asset backed securities, mortgage backed securities and collateralized mortgage obligations should be rated AAA or its equivalent at the time of purchase.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Investments in mutual funds and certain investment pools are excluded from this requirement. The PSABMRT's formal investment policy states that the portfolio maintained in the Balanced Fund shall be broadly diversified by maturity with the maximum effective maturity of any single security not to exceed 40 years. For the Fixed Income Fund, the portfolio shall be limited to intermediate maturity instruments with effective maturities not to exceed 15 years.

Investments in external investment pools, in open-end mutual funds or in unallocated insurance contracts are disclosed but not rated applicable to their underlying debt securities.

Investment disclosures are organized by investment type as follows:

Investment Type	Fair Value
PSAB Retirement Trust	\$5,383,215

The Plan's investments with the Pennsylvania State Association of Boroughs Municipal Retirement Trust represent a pool of assets owned by over 200 municipalities within the Commonwealth of Pennsylvania. The Plan owns 1.9594 % of the total fund that was valued at \$274,726,432.

The Plan held no investments that were exposed to custodial credit risk, concentration of credit risk or foreign currency risk as of December 31, 2018.

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Plan's investment policy has been delegated to the PSABMRT in regard to the allocation of invested Plan assets. The investment policy is established and may be amended by the PSABMRT Board of Trustees. The PSABMRT provides two investment options—the Balanced Fund and the Fixed Income Fund. The Plan participates in the Balanced Fund, the objective of which is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The policy of the Board is to pursue an investment strategy that reduces risk through prudent diversification among its asset classes in order to maintain a fully funded status and meet the benefit and expense obligations when due. Following is the Board's adopted asset allocation policy as of December 31, 2018:

Asset Class	Target Allocation
Domestic equity large cap growth	18.50%
Domestic equity large cap value	18.50%
Domestic small and mid cap value	6.00%
Domestic small and mid cap growth	2.00%
International equity	14.00%
Emerging markets equity	1.00%
Domestic fixed income	35.00%
Private real estate	5.00%
Cash	0.00%

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -4.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contributions

Act 205 of 1984, *The Municipal Pension Plan Funding Standard and Recovery Act*, requires that annual contributions be based upon the minimum municipal obligations (MMO). The MMO is based upon the Plan's actuarial valuations. During 2018, employees were required to contribute 5% of compensation to the Plan. The Commonwealth provides an allocation of funds that must be used for pension funding. Any financial requirements established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE II: DESCRIPTION OF PLAN

Plan Membership

Employees covered by benefit terms as of December 31, 2018:

Active employees	12
Retirees, disabled members and beneficiaries currently receiving benefits	10
Vested terminated employees	<hr/> -
	<hr/> <u>22</u>

Benefit Provisions

The Police Pension Plan's benefit provisions as of December 31, 2018 were as follows:

- Eligibility Requirements—normal retirement date shall be the first day of the month following the 50th birthday, provided the participant has completed 25 years of service; or if hired before January 1, 1994, age 55 with 20 years of service;
- Retirement Benefit—normal retirement benefit shall be equal to 50 percent of the monthly average of fixed compensation received during the final 36 months of employment preceding normal retirement date; plus \$50 per month for each completed year of service beyond 25 years, not to exceed \$250.
- Survivor Benefit—if an officer is killed in the line of duty, 100% of the member's pay at the time of death will be made payable to the spouse or the children, if no spouse survives, until the children reach 18 years old (or 23 if attending college); in the event of the death of a retired police officer or an active police officer eligible to retire, the survivor benefit is 50 percent of the benefit the retiree was receiving or the officer would have been receiving had he retired at the time of death;
- Member Contributions—as noted above members contribute to the plan at the rate of 5 percent of compensation; interest rate credited to member contributions is five percent per annum compounded annually.

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE III: MINIMUM MUNICIPAL OBLIGATION PAYMENTS

The Township Minimum Municipal Obligation (MMO) for 2018 was \$446,514. During this period, the Township was itself required to contribute \$305,982 beyond that which it received from the Commonwealth relative to Act 205 of 1984, *The Municipal Pension Plan Funding Standard and Recovery Act*.

NOTE IV: NET PENSION LIABILITY OF UPPER PROVIDENCE TOWNSHIP

The components of the net pension liability of the Township at December 31, 2018 were as follows:

Total pension liability	\$ 8,247,155
Plan fiduciary net position	<u>5,518,282</u>
Township's net pension liability	<u>\$ 2,728,873</u>

Plan fiduciary net position as a percent of the total pension liability: 66.91%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017; update procedures were used to roll forward to the Plan's year ending December 31, 2018 using the following actuarial assumptions applied to all periods in the measurement:

Inflation	3.0%
Salary increases	4.5 percent
Investment rate of return	7.50%

Mortality rates for healthy lives were based on the Blue Collar RP-2000 Table projected to 2017 using Scale AA.

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE IV: NET PENSION LIABILITY OF UPPER PROVIDENCE TOWNSHIP
(continued)

Long term expected rate of return

The long-term expected rate of return on pension plan investments was determined by using an asset allocation study conducted by the Plan's investment management consultant in December 2018. Best estimate ranges were developed of expected future real rates of return for each major assets class (net of pension plan investment expense and inflation). The ranges were 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 adding estimated inflation. The long-term rate of return on assets (including inflation) is expected to be approximately 6.9 percent per year. The total long term expected real rates of return excludes the inflation expectation of 2.25% and averages 4.65%.

Discount rate

The discount rate used to measure the total pension liability was 7.50% per year, compounded annually. Based on the Plan's current target investment allocation and the associated long-term expected investment returns, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine the pension liability potentially resulting in future increased total and net pension liabilities. Plan management is discussing variables concerning the actuarial assumed investment rate of return going forward.

Sensitivity of the net pension liability to changes in the discount rate

Following presents the net pension liability of the Township if calculated using different discount rates as presented by actuarial determination (unaudited)

	1% Decrease 6.5%	Current Rate 7.5%	1% Increase 8.5%
Net pension liability	\$ 3,660,139	\$ 2,728,873	\$ 1,946,996

**UPPER PROVIDENCE TOWNSHIP
POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE V. DEFERRED RETIREMENT OPTION PROGRAM (DROP)

The Plan participates in the Deferred Retirement Option Program (DROP) which allows an active member who has met the eligibility for normal retirement to elect to take part in this plan for 36 months and continue to work. The monthly pension is calculated as of the date of participation in the DROP. At the end of the DROP period the DROP account balance is distributed to the member in a lump sum. As of December 31, 2018, there were three members participating in the program with a balance of \$133,350.

NOTE VI. SUBSEQUENT EVENTS

Trustees of the Plan have evaluated subsequent events through May 8, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER PROVIDENCE TOWNSHIP POLICE PENSION PLAN
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018
(UNAUDITED)

**SCHEDULE OF CHANGES IN UPPER PROVIDENCE TOWNSHIP'S
NET PENSION LIABILITY AND RELATED RATIOS**

	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 158,476	\$ 177,024	\$ 182,335	\$ 164,936	\$ 170,598
Interest	423,631	477,045	508,058	544,671	583,875
Changes in benefit terms	-	43,023	-	-	50,869
Differences between expected and actual experience	-	137,976	-	40,082	-
Changes in assumptions	371,641	-	-	18,522	-
Benefit payments	(258,061)	(248,305)	(243,427)	(243,427)	(243,427)
Net change in total pension liability	324,046	958,404	446,966	524,784	561,915
Total pension liability - beginning	5,431,040	5,755,086	6,713,490	7,160,456	7,685,240
Total pension liability - ending	<u>5,755,086</u>	<u>6,713,490</u>	<u>7,160,456</u>	<u>7,685,240</u>	<u>8,247,155</u>
 Plan Fiduciary Net Position					
Contributions - Township and state aid	201,554	229,129	346,959	355,821	446,514
Contributions - employee	63,095	69,613	73,068	79,306	68,649
Net investment income	252,972	(55,212)	207,364	625,391	(266,264)
Benefit payments	(258,061)	(248,305)	(243,427)	(243,427)	(243,427)
Administrative expense	(38,401)	(14,000)	(28,511)	(34,190)	(30,495)
Net change in fiduciary net position	221,159	(18,775)	355,453	782,901	(25,023)
Plan fiduciary net position - beginning	4,202,567	4,423,726	4,404,951	4,760,404	5,543,305
Plan fiduciary net position - ending	<u>4,423,726</u>	<u>4,404,951</u>	<u>4,760,404</u>	<u>5,543,305</u>	<u>5,518,282</u>
Upper Providence Township net pension liability	<u>\$1,331,360</u>	<u>\$2,308,539</u>	<u>\$2,400,052</u>	<u>\$2,141,935</u>	<u>\$2,728,873</u>
Plan fiduciary net position as a percentage of total pension liability	76.90%	65.61%	66.48%	72.13%	66.91%
Covered employee payroll	\$1,261,892	\$1,263,752	\$1,335,295	\$1,434,534	\$1,568,628
Plan's net pension liability as a percentage of covered employee payroll	105.50%	182.70%	179.74%	149.31%	173.97%

SCHEDULE OF INVESTMENT RETURNS

	2014	2015	2016	2017	2018
Annual money-weighted rate of return net of investment expense	6.15%	-0.69%	4.71%	13.14%	-4.80%

UPPER PROVIDENCE TOWNSHIP POLICE PENSION PLAN
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018
(UNAUDITED)

	SCHEDULE OF INVESTMENT RETURNS				
	2014	2015	2016	2017	2018
Annual money-weighted rate of return net of investment expense	6.15%	-0.69%	4.71%	13.14%	-4.80%

SCHEDULE OF TOWNSHIP CONTRIBUTIONS

	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution excess (deficiency)	Covered employee payroll	Contributions as a percentage of covered payroll
2009	\$ 186,995	\$ 186,995	\$ -	not available	n/a
2010	\$ 199,149	\$ 199,149	\$ -	\$ 1,077,156	18.49%
2011	\$ 178,899	\$ 178,899	\$ -	\$ 1,087,199	16.46%
2012	\$ 185,400	\$ 185,400	\$ -	\$ 1,189,435	15.59%
2013	\$ 200,056	\$ 200,056	\$ -	\$ 1,203,956	16.62%
2014	\$ 200,040	\$ 200,040	\$ -	\$ 1,261,892	15.85%
2015	\$ 228,829	\$ 228,829	\$ -	\$ 1,263,752	18.11%
2016	\$ 346,859	\$ 346,859	\$ 100	\$ 1,335,295	25.98%
2017	\$ 355,821	\$ 355,821	\$ -	\$ 1,434,534	24.80%
2018	\$ 446,514	\$ 446,514	\$ -	\$ 1,568,628	28.47%

UPPER PROVIDENCE TOWNSHIP POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(UNAUDITED)

The plan employs Beyer-Barber as its actuary. The following information is provided by the actuary and is unaudited.

ITEM	RESPONSE
1. Date of most recent valuation	January 1, 2017
2. Actuarial cost method used	Entry Age
3. Asset Value Method	Smoothing per Section 210(a) of Act 44
4. Remaining amortization period	Ten years
5. Amortization method	Level dollar



CYNTHIA FELZER LEITZELL, CPA
STELLA C. ECONOMIDIS, CPA

LEITZELL & ECONOMIDIS, PC

CERTIFIED PUBLIC ACCOUNTANTS

**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 Members of Council
Upper Providence Township
Media, Pennsylvania

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Upper Providence Township Police Pension Plan (the "Plan") as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated May 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Upper Providence Township Police Pension Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Providence Township Police Pension Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 may exist that have not been identified.

Compliance and Other Matters

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

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 Upper Providence Township Police Pension Plan'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 Upper Providence Township Police Pension Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leitzell & Economidis, PC

LEITZELL & ECONOMIDIS, PC

Certified Public Accountants

May 8, 2019
Media, Pennsylvania