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**UPPER UWCHLAN TOWNSHIP**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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UPPER UWCHLAN TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

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June 10, 2015

Board of Supervisors  
Upper Uwchlan Township  
Chester Springs, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic 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 opinions 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 Township'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 Township'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.

Board of Supervisors  
Upper Uwchlan Township

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2014, Upper Uwchlan Township adopted new accounting guidance, GASB Statement No. 67, "Financial Reporting for Pension Plans." Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Township's 2013 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated July 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Uwchlan Township's basic financial statements. The combining fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements 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 10, 2015 on our consideration of Upper Uwchlan 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 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 Upper Uwchlan Township's internal control over financial reporting and compliance.

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

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

This discussion and analysis of Upper Uwchlan Township, Chester Springs, Pennsylvania provides an overview of the Township's financial performance for the year ended December 31, 2014. Please read it in conjunction with the Township's financial statements, which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- **Assets** – The assets of Upper Uwchlan Township exceeded its liabilities at the close of the most recent fiscal year by \$28,084,478 (representing its net position).
- **Cash and Investments** – Total Township assets included \$17,053,623 in cash and cash equivalents and investments.
- **Governmental Fund Balances** – As of December 31, 2014, the Township's governmental funds combined ending fund balance of \$6,802,205 was \$1,553,446 better than the prior year. Of this total, \$4,781,738 is in the General Fund and is "Unassigned" (available for spending at the Township's discretion).

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities on pages 13 and 14 provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 15 and include governmental, proprietary, and fiduciary funds. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The governmental and proprietary fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Reporting the Township as a Whole**

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

The analysis of the Township as a whole begins on pages 13 and 14 with the Statement of Net Position and the Statement of Activities.

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

The Statement of Net Position and the Statement of Activities report the Township's net position and the changes in them during the year. The reader can think of the Township's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources –

## UPPER UWCHLAN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and employment and the condition of the Township's assets, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the police, fire, general administration, public works, parks, and recreation. Earned income taxes, local services taxes, property taxes, intergovernmental revenues, and permit fees finance most of these activities.
- **Business-type Activities** – The Township charges a fee to customers to cover the cost of certain services it provides. The Township's sewer activities are reported here.

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

##### *Fund Financial Statements*

Our analysis of the Township's major funds provides detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Township establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for money designated for special use (e.g., Capital Projects Fund). The Township's three kinds of funds – **governmental, proprietary, and fiduciary** – use different accounting approaches.

**Governmental funds.** Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations which follow the fund financial statements.

**Proprietary funds.** When the Township charges customers for the sewer services it provides, these services are reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise fund (a component of the proprietary fund) is the same as the business-type activities reported in the entity-wide statements but provides more detail and additional information, such as cash flows for the proprietary fund.

UPPER UWCHLAN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

The Township as Trustee

*Reporting the Township's Fiduciary Responsibilities*

The Township is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's Fiduciary Fund included the Developer's Escrow Fund and the Pension Plans for Police and Non-Uniformed Employees.

THE TOWNSHIP AS A WHOLE

*Entity-wide Financial Analysis*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Upper Uwchlan Township, assets totaling \$35,804,679 exceeded liabilities by \$28,084,478 at the close of 2014, as reflected in the Statement of Net Position.

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,281,883	\$ 5,899,137	\$ 10,649,390	\$ 4,159,498	\$ 17,931,273	\$ 10,058,635
Capital and related assets	5,588,543	5,455,399	12,284,863	12,566,676	17,873,406	18,022,075
Total Assets	\$ 12,870,426	\$ 11,354,536	\$ 22,934,253	\$ 16,726,174	\$ 35,804,679	\$ 28,080,710
Current liabilities	\$ 605,768	\$ 726,815	\$ 263,503	\$ 66,252	\$ 869,271	\$ 793,067
Non-current liabilities	943,315	1,277,336	5,907,615	-	6,850,930	1,277,336
Total Liabilities	1,549,083	2,004,151	6,171,118	66,252	7,720,201	2,070,403
Net Assets:						
Net investment in capital assets	4,511,203	4,014,455	12,195,762	12,566,676	16,706,965	16,581,131
Restricted	1,986,496	1,453,581	268,796	266,278	2,255,292	1,719,859
Unrestricted	4,823,644	3,882,349	4,298,577	3,826,968	9,122,221	7,709,317
Total Net Position	11,321,343	9,350,385	16,763,135	16,659,922	28,084,478	26,010,307
Total Liabilities and Net Position	\$ 12,870,426	\$ 11,354,536	\$ 22,934,253	\$ 16,726,174	\$ 35,804,679	\$ 28,080,710

UPPER UWCHLAN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

Township capital assets include infrastructure assets, incorporating approximately 53 miles of road, 23 miles of sewer pipeline, and traffic signals at 11 highway intersections. Total liabilities include \$7,155,069 in outstanding debt. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Township's unrestricted net position of \$9,122,221 may be used to meet the Township's ongoing obligations to citizens and creditors. This compares with last year's total unrestricted net position of \$7,709,317.

At the end of the current fiscal year, the Township is able to report positive balances in net position, both for the government as a whole and for its business-type activities.

**Governmental Activities**

As reported below in Table 2, the increase in net position from the Township's governmental activities was \$1,970,958 for the year ended December 31, 2014.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 1,638,381	\$ 1,463,592	\$ 1,768,935	\$ 1,670,456	\$ 3,407,316	\$ 3,134,048
Operating grants and contributions	550,316	626,682	-	-	550,316	626,682
Capital grants and contributions	70,883	59,406	-	-	70,883	59,406
General revenues:						
Earned income taxes	3,934,451	3,365,083	-	-	3,934,451	3,365,083
Property taxes	1,045,505	1,036,328	-	-	1,045,505	1,036,328
Real estate transfer taxes	434,113	489,576	-	-	434,113	489,576
Franchise fees	242,739	237,912	-	-	242,739	237,912
Other	764,149	167,137	15,295	31,429	779,444	198,566
<b>TOTAL REVENUES</b>	<b>8,680,537</b>	<b>7,445,716</b>	<b>1,784,230</b>	<b>1,701,885</b>	<b>10,464,767</b>	<b>9,147,601</b>
<b>EXPENSES:</b>						
General government	1,595,060	1,010,582	-	-	1,595,060	1,010,582
Public safety	2,676,368	2,720,110	-	-	2,676,368	2,720,110
Highways/streets	1,345,409	1,309,513	-	-	1,345,409	1,309,513
Other public works	836,604	776,220	-	-	836,604	776,220
Culture and recreation	205,869	177,029	-	-	205,869	177,029
Health and welfare	12,730	13,735	-	-	12,730	13,735
Interest expense	37,539	52,955	-	-	37,539	52,955
Sewer operations	-	-	1,681,017	1,176,175	1,681,017	1,176,175
<b>TOTAL EXPENSES</b>	<b>6,709,579</b>	<b>6,060,144</b>	<b>1,681,017</b>	<b>1,176,175</b>	<b>8,390,596</b>	<b>7,236,319</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>1,970,958</b>	<b>1,385,572</b>	<b>103,213</b>	<b>525,710</b>	<b>2,074,171</b>	<b>1,911,282</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>9,350,385</b>	<b>7,964,813</b>	<b>16,659,922</b>	<b>16,134,212</b>	<b>26,010,307</b>	<b>24,099,025</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$11,321,343</b>	<b>\$ 9,350,385</b>	<b>\$16,763,135</b>	<b>\$16,659,922</b>	<b>\$28,084,478</b>	<b>\$26,010,307</b>

## UPPER UWCHLAN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

The cost of all governmental activities in 2014 was \$6,709,579, including \$323,869 in depreciation. This cost was funded primarily by tax revenue of \$5,414,069, including the earned income tax, real estate taxes, and real estate transfer taxes. Charges/fees for other services, including permits, accounted for an additional \$1,638,381 in revenue, and intergovernmental revenue accounted for another \$621,199.

As indicated by governmental activities expenses, public safety programs account for \$2,676,368, or approximately 40 percent of the total expenses of the Township's governmental activities. Public safety includes the police department, the Township's emergency management services, and contributions to the local fire departments that provide services to the Township. General administration and highways and streets services account for approximately 24 percent and 20 percent, respectively, of the total expenses for 2014.

Real estate taxes, earned income taxes, and other general revenues not designated for specific programs provide the major revenue sources for governmental activities. The earned income tax is the largest revenue source for governmental activities and accounted for \$3,934,451, or 45 percent of all governmental activities revenue in 2014. Property taxes and real estate transfer taxes provided 12 percent and 5 percent, respectively, of total governmental activities revenue.

Revenues for governmental activities in 2014 were \$1,234,821 higher than in 2013. This net increase was due primarily to the following:

- Increase in Charges for Services of \$174,789 in 2014 vs. 2013.
- Increase in Earned Income Tax revenue of \$569,368 in 2014 vs. 2013. A substantial portion of this increase was due to a onetime payout by an employer located within the Township and will not be recurring.
- Increase in Other Revenues of \$597,012 is due primarily to easements granted to Columbia Gas Transmission LLC for pipelines on Township property.

#### ***Business-type (Proprietary Funds) Activities***

Upper Uwchlan Township's sewer system includes 13 sewer pumping stations and approximately 23 miles of pipeline. The Township accepts flows from a residential development that is partially in West Vincent Township and collects sewer rental fees from these properties. As reflected in the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds on page 22, sewer operating expenses totaled \$1,291,390 for 2014. Operating expenses also included \$32,136 in depreciation in 2014.

For accounting purposes, Upper Uwchlan Township classifies its business activities in two funds – the Sewer Fund, which contains the Municipal Authority capital assets which are owned by Upper Uwchlan Township; and the Sewer Authority Fund, which reflects the activities and resulting assets of the Municipal Authority from its operation of the sewer system.

## UPPER UWCHLAN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

The Upper Uwchlan Township Municipal Authority Board establishes and collects sewer rental fees from users of the Township's system. The Municipal Authority charges a flat fee of \$175 per quarter to residential properties; commercial properties are billed in arrears based on actual usage.

Major sources of sewer revenue in 2014 included:

- Sewer (usage) fees totaling \$1,731,230.

Major expenses included:

- Utilities expense (electric and water) totaling \$294,931.
- Administration costs paid to Upper Uwchlan Township for providing the use of its personnel for oversight, financial management, utility billing, and ground maintenance totaling \$123,979.

As also reflected in the Statement of Net Position - Proprietary Funds, total assets for the proprietary funds as of December 31, 2014 were \$22,965,878. This included \$10,394,548 in cash and investment accounts, and \$12,284,863 of equipment and infrastructure assets.

The Township issued \$5,955,000 of General Obligation bonds in September, 2014. The proceeds from the 2014 bond issue will be used to help finance the Route 100 Wastewater Treatment Plant and the upgrade and expansion of sewer distribution lines.

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

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

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

As shown on pages 15 and 17, as of December 31, 2014, the Township's governmental funds reported combined ending fund balance of \$6,802,205, an increase of \$1,553,446 from the prior year. Approximately 70 percent, or \$4,781,738, is an "unassigned" fund balance in the General Fund, which means that it is available for spending at the Township's discretion. The remainder of the fund balance is either "nonspendable," "restricted," or "assigned," which means that it is not available for new spending because it has been restricted for capital improvements, park development, or other special purposes.

Major funds maintained by the Township include the following:

The **General Fund** is the chief operating fund of Upper Uwchlan Township. As of December 31, 2014, the total fund balance of the General Fund was \$4,809,662, a \$1,014,484 increase from 2013. As stated above, almost all (99 percent) of the General Fund's fund balance is "unassigned."

## UPPER UWCHLAN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

The *Capital Projects Fund* provides funding for capital improvements or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or other governmental funds. The total fund balance as of December 31, 2014 was \$669,584, an increase of \$439,881 from 2013.

Historically, the major revenue and other financing sources for the Capital Projects Fund usually are transfers from the General Fund, interest earnings, and contributions from developers for specific infrastructure improvements. The General Fund also may transfer monies to the Capital Projects Fund to reserve for capital expenditures associated with the general operation of the Township.

The *Solid Waste Fund* provides funding for solid waste collection services provided to residents. The total fund balance as of December 31, 2014 was \$390,969, a decrease of approximately \$400,515 from 2013.

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

The unrestricted net assets of the Proprietary Funds at the end of the year, as reported on page 21, amounted to \$4,298,577.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's General Fund budget and actual results can be found on pages 19 and 20 of the financial statements.

During 2014, there were no revisions to the original approved General Fund budget.

The very conservative 2014 budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$759,335; however, the Township ended the year with actual revenue and other financing sources exceeding expenditures and other financing uses by \$1,014,484, or \$255,149 better than budget.

This favorable budget variance was due primarily to:

- Earned Income Tax revenue was \$728,651 better than budget.
- Revenue from real estate transfer taxes was \$109,113 better than budget.
- Expenses across all major departments were \$273,291 higher than budget.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### *Capital Assets*

As of December 31, 2014, the Township's investment in depreciable capital assets for its governmental and business-type activities, as shown on page 13, amounted to \$17,873,406, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery

## UPPER UWCHLAN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

and equipment, infrastructure, vehicles, and land improvements. The total decrease in the Township's investment in capital assets for the current fiscal year was \$148,669, net of accumulated depreciation.

The above decrease is due primarily to 2014 depreciation expense.

#### *Long-term Debt*

At December 31, 2014, the Township had \$1,077,340 in General Obligation notes outstanding to a local bank.

The Township borrowed \$5,955,000 by issuing General Obligation Bonds during 2014. The proceeds from the bond issue will be used to help finance a newly constructed sewer pumping station (the Route 100 Wastewater Treatment Plant) and the upgrade and expansion of sewer distribution lines. The carrying amount of the debt, including premiums, is \$6,077,729.

Additional information about the Township's current long-term debt can be requested from the Township.

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

- Because of favorable demographics – the level of education, median household income, and advantageous location (proximity to employment centers such as Philadelphia, King of Prussia, and Wilmington), Upper Uwchlan Township continues to rely on the earned income tax ("EIT") for a large portion (45 percent in 2014) of its revenue in the General Fund. It also should be noted that the EIT rate of 0.5 percent is relatively low compared to neighboring municipalities which also have an EIT.
- The Township real estate tax rate of 1.034 mills is also relatively low compared to neighboring municipalities. The rate has not been increased since 2005.
- Township real estate transfer tax revenues rebounded to new higher levels in 2013; and although they slowed slightly in 2014, it is anticipated that this revenue can continue to be counted on.
- The Township maintains approximately \$17,000,000 in (insured or collateralized) cash accounts. Interest rates on these accounts have dropped significantly since 2008 and are forecasted to remain very low throughout 2015. The Township invested the proceeds from the bond offering in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") to maximize returns and also for maximum safety, pending use of the funds for construction.
- The Township adopted a 2015 General Fund budget in which revenues are expected to exceed expenses by \$63,078. The Township ended 2014 in a strong position, with a General Fund balance of \$4.8 million. The 2015 Budget includes a transfer of \$609,000 and \$175,000 from the General Fund and Solid Waste Funds to the Capital Projects Fund, respectively. The General Fund has also budgeted a transfer of \$200,000 to the Stormwater Management Fund in 2015.

## UPPER UWCHLAN TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

- Salary/wage and FICA costs are budgeted to increase by approximately five percent in 2015. This is due primarily to existing contractual bargaining unit (union) agreements with the police, as well as an anticipated increase in seasonal Public Works department employees. Non-uniformed personnel are budgeted for three percent salary increases in 2015.

This financial report is designed to provide a general overview of Upper Uwchlan Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Treasurer, Upper Uwchlan Township, 140 Pottstown Pike, Chester Springs, PA 19425.

General information relating to Upper Uwchlan Township can be found on its website, <http://www.upperuwchlan-pa.gov>.

**UPPER UWCHLAN TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014  
(With Summarized Comparative Data for December 31, 2013)**

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 6,405,317	\$ 3,867,199	\$ 10,272,516	\$ 8,462,397
Restricted cash	-	6,020,910	6,020,910	16,142
Investments	-	-	-	502,090
Accounts and other receivables	440,724	282,504	723,228	699,350
Taxes receivable	116,488	-	116,488	87,171
Interest receivable	-	510	510	-
Internal activity	31,625	(31,625)	-	-
Prepaid expenses	33,971	3,453	37,424	41,349
Total Current Assets	<u>7,028,125</u>	<u>10,142,951</u>	<u>17,171,076</u>	<u>9,808,499</u>
Noncurrent Assets:				
Investments	253,758	253,801	507,559	-
Restricted investments	-	252,638	252,638	250,136
Depreciable capital assets, net	5,188,543	12,284,863	17,473,406	17,714,702
Land	400,000	-	400,000	280,000
Construction-in-progress	-	-	-	27,373
Total Noncurrent Assets	<u>5,842,301</u>	<u>12,791,302</u>	<u>18,633,603</u>	<u>18,272,211</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,870,426</u>	<u>\$ 22,934,253</u>	<u>\$ 35,804,679</u>	<u>\$ 28,080,710</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 99,935	\$ 76,755	\$ 176,690	\$ 192,394
Payroll withholdings payable	129,112	-	129,112	140,633
Unearned revenues	242,696	-	242,696	296,432
Interest payable	-	16,634	16,634	-
Current portion of notes payable	134,025	-	134,025	129,778
Current portion of capital leases	-	-	-	33,830
Current portion of bonds payable, net	-	170,114	170,114	-
Total Current Liabilities	<u>605,768</u>	<u>263,503</u>	<u>869,271</u>	<u>793,067</u>
Noncurrent Liabilities:				
Notes payable	943,315	-	943,315	1,277,336
Bonds payable, net	-	5,907,615	5,907,615	-
Total Noncurrent Liabilities	<u>943,315</u>	<u>5,907,615</u>	<u>6,850,930</u>	<u>1,277,336</u>
<b>TOTAL LIABILITIES</b>	<u>1,549,083</u>	<u>6,171,118</u>	<u>7,720,201</u>	<u>2,070,403</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,511,203	12,195,762	16,706,965	16,581,131
Restricted	1,986,496	268,796	2,255,292	1,719,859
Unrestricted	4,823,644	4,298,577	9,122,221	7,709,317
<b>TOTAL NET POSITION</b>	<u>11,321,343</u>	<u>16,763,135</u>	<u>28,084,478</u>	<u>26,010,307</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 12,870,426</u>	<u>\$ 22,934,253</u>	<u>\$ 35,804,679</u>	<u>\$ 28,080,710</u>

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

**UPPER UWCHLAN TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Summarized Comparative Data for the Year Ended December 31, 2013)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals 2014	2013
<b>PRIMARY GOVERNMENT</b>								
<b>GOVERNMENTAL ACTIVITIES:</b>								
General government	\$ 1,595,060	\$ 4,952	\$ 60,409	\$ 70,883	\$ (1,458,816)	\$ -	\$ (1,458,816)	\$ (935,811)
Public safety	2,676,368	424,958	191,668	-	(2,059,742)	-	(2,059,742)	(2,141,638)
Public works - highways and streets	1,345,409	125,000	296,431	-	(923,978)	-	(923,978)	(988,562)
Other public works	836,604	995,084	-	-	158,480	-	158,480	347,116
Culture and recreation	205,869	88,387	1,808	-	(115,674)	-	(115,674)	(124,879)
Health and welfare	12,730	-	-	-	(12,730)	-	(12,730)	(13,735)
Interest expense	37,539	-	-	-	(37,539)	-	(37,539)	(52,955)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6,709,579</b>	<b>1,638,381</b>	<b>550,316</b>	<b>70,883</b>	<b>(4,449,999)</b>	<b>-</b>	<b>(4,449,999)</b>	<b>(3,910,464)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Sewer operations	1,669,517	1,768,935	-	-	-	99,418	99,418	494,281
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,669,517</b>	<b>1,768,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,418</b>	<b>99,418</b>	<b>494,281</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 8,379,096</b>	<b>\$ 3,407,316</b>	<b>\$ 550,316</b>	<b>\$ 70,883</b>	<b>(4,449,999)</b>	<b>99,418</b>	<b>(4,350,581)</b>	<b>(3,416,183)</b>
<b>GENERAL REVENUES</b>								
Taxes:								
Real estate taxes					1,045,505	-	1,045,505	1,036,328
Real estate transfer taxes					434,113	-	434,113	489,576
Earned income taxes					3,934,451	-	3,934,451	3,365,083
Franchise fees					242,739	-	242,739	237,912
Interest income					23,737	15,295	39,032	27,122
Other revenues					728,912	-	728,912	169,582
Gain on sale of capital assets					-	-	-	1,862
Interfund transfers					11,500	(11,500)	-	-
<b>TOTAL GENERAL REVENUES</b>					<b>6,420,957</b>	<b>3,795</b>	<b>6,424,752</b>	<b>5,327,465</b>
<b>CHANGE IN NET POSITION</b>					<b>1,970,958</b>	<b>103,213</b>	<b>2,074,171</b>	<b>1,911,282</b>
<b>NET POSITION, BEGINNING OF YEAR</b>					<b>9,350,385</b>	<b>16,659,922</b>	<b>26,010,307</b>	<b>24,099,025</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$11,321,343</b>	<b>\$16,763,135</b>	<b>\$28,084,478</b>	<b>\$26,010,307</b>

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

**UPPER UWCHLAN TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2014  
(With Summarized Comparative Totals for December 31, 2013)**

	General Fund	Capital Projects Fund	Solid Waste Fund	Other Nonmajor Governmental Funds	Totals
					2014
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,461,691	\$ 677,261	\$ 371,282	\$ 895,083	\$ 6,405,317
Investments	253,758	-	-	-	253,758
Accounts receivable	218,946	-	221,778	-	440,724
Taxes receivable	116,488	-	-	-	116,488
Due from other funds	30,497	3,812	2,284	50,000	86,593
Prepaid expenditures	27,924	-	6,047	-	33,971
<b>TOTAL ASSETS</b>	<b>\$ 5,109,304</b>	<b>\$ 681,073</b>	<b>\$ 601,391</b>	<b>\$ 945,083</b>	<b>\$ 7,336,851</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 99,759	-	\$ 16,260	\$ 13,093	\$ 129,112
Accrued payroll and withholdings	88,446	-	-	-	88,446
Accrued expenses	-	11,489	-	-	11,489
Due to other funds	54,968	-	-	-	54,968
Unearned revenues - engineering fees	48,534	-	-	-	48,534
Unearned revenues - solid waste collection fees	-	-	194,162	-	194,162
<b>TOTAL LIABILITIES</b>	<b>291,707</b>	<b>11,489</b>	<b>210,422</b>	<b>13,093</b>	<b>526,711</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - real estate taxes	7,935	-	-	-	7,935
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,935</b>
<b>FUND BALANCES:</b>					
Nonspendable	27,924	-	6,047	-	33,971
Restricted	-	669,584	-	-	669,584
Capital projects	-	-	-	820,252	820,252
Highways and streets	-	-	384,922	-	384,922
Solid waste	-	-	-	111,738	111,738
Stormwater	-	-	-	-	-
Unassigned	4,781,738	-	-	-	4,781,738
<b>TOTAL FUND BALANCES</b>	<b>4,809,662</b>	<b>669,584</b>	<b>390,969</b>	<b>931,990</b>	<b>6,802,205</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 5,109,304</b>	<b>\$ 681,073</b>	<b>\$ 601,391</b>	<b>\$ 945,083</b>	<b>\$ 7,336,851</b>
					<b>\$ 5,900,901</b>

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

**UPPER UWCHLAN TOWNSHIP  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,802,205
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position.	5,588,543
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Some of the Township's revenues used in the governmental activities will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

Property taxes	7,935
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Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Notes payable	<u>(1,077,340)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 11,321,343</u>
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The accompanying notes are an integral part of these financial statements.

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
 (With Summarized Comparative Data for the Year Ended December 31, 2013)

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Governmental Funds	2014	2013
<b>REVENUES</b>						
Taxes	\$ 5,493,305	-	\$ -	\$ -	\$ 5,493,305	\$ 4,803,816
Licenses and permits	374,927	-	-	-	374,927	369,641
Fines, forfeits, and costs	64,334	-	-	-	64,334	57,193
Interest, dividends, and rents	19,665	396	2,986	690	23,737	27,321
Intergovernmental revenues	378,539	-	-	367,314	745,853	806,154
Charges for services/fees	332,989	-	995,084	357,000	1,685,073	1,275,372
Miscellaneous revenue/other	360,475	-	-	-	360,475	16,280
<b>TOTAL REVENUES</b>	<b>7,024,234</b>	<b>396</b>	<b>998,070</b>	<b>725,004</b>	<b>8,747,704</b>	<b>7,355,777</b>
<b>EXPENDITURES</b>						
Current:						
General government	1,345,473	202,361	-	7,181	1,555,015	1,120,130
Public safety	2,697,124	30,240	-	-	2,727,364	2,616,538
Health and welfare	12,730	-	-	-	12,730	13,735
Public works - highways and streets	907,461	91,011	-	384,727	1,383,199	1,388,812
Public works - sanitation	-	-	798,585	-	798,585	739,056
Culture and recreation	192,532	146,106	-	-	338,638	207,181
Debt service:						
Principal and interest	-	401,144	-	-	401,144	501,144
<b>TOTAL EXPENDITURES</b>	<b>5,155,320</b>	<b>870,862</b>	<b>798,585</b>	<b>391,908</b>	<b>7,216,675</b>	<b>6,586,596</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,868,914</b>	<b>(870,466)</b>	<b>199,485</b>	<b>333,096</b>	<b>1,531,029</b>	<b>769,181</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of general capital asset disposition	-	10,347	-	-	10,347	1,862
Refunds of prior year expenditures	570	-	-	-	570	906
Transfers in	-	1,300,000	-	166,500	1,466,500	300,000
Transfers out	(855,000)	-	(600,000)	-	(1,455,000)	(300,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(854,430)</b>	<b>1,310,347</b>	<b>(600,000)</b>	<b>166,500</b>	<b>22,417</b>	<b>2,768</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,014,484</b>	<b>439,881</b>	<b>(400,515)</b>	<b>499,596</b>	<b>1,553,446</b>	<b>771,949</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>3,795,178</b>	<b>229,703</b>	<b>791,484</b>	<b>432,394</b>	<b>5,248,759</b>	<b>4,476,810</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,809,662</b>	<b>\$ 669,584</b>	<b>\$ 390,969</b>	<b>\$ 931,990</b>	<b>\$ 6,802,205</b>	<b>\$ 5,248,759</b>

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

**UPPER UWCHLAN TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,553,446

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$469,962) exceeded depreciation (\$323,869) in the current period. 146,093

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these noncurrent resources.

Property taxes (79,236)

The issuance of long-term debt (e.g. capital leases, notes) provides current resources to governmental funds, while repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Note principal payment	\$ 329,774	
Capital lease principal payment	<u>33,830</u>	363,604

When capital assets are sold, the proceeds from the sale are reported as other financing sources at the fund level. At the government-wide level, the remaining asset value must be recognized as an expense at the time of sale. This is the residual value of assets sold as of the date of sale. (12,949)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,970,958

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

**UPPER UWCHLAN TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Real estate - current	\$ 1,045,000	\$ 1,124,741	\$ 79,741
Real estate - transfer	325,000	434,113	109,113
Earned income tax	3,205,800	3,934,451	728,651
Licenses and permits	339,100	374,927	35,827
Fines, forfeits, and costs	68,500	64,334	(4,166)
Interest, dividends, and rents	12,000	19,665	7,665
Intergovernmental revenues	434,964	378,539	(56,425)
Charges for services/fees	211,000	332,989	121,989
Miscellaneous revenue	-	360,475	360,475
<b>TOTAL REVENUES</b>	<u>5,641,364</u>	<u>7,024,234</u>	<u>1,382,870</u>
<b>EXPENDITURES</b>			
Current:			
General government:			
General operations	40,609	269,944	(229,335)
Administration	533,000	515,708	17,292
Audit services	18,100	28,400	(10,300)
Tax collection	31,207	28,194	3,013
Legal services	45,000	31,325	13,675
IT and data processing	46,967	68,017	(21,050)
Engineering	224,800	285,834	(61,034)
Building and grounds	67,654	118,051	(50,397)
Total General Government	<u>1,007,337</u>	<u>1,345,473</u>	<u>(338,136)</u>
Public safety:			
Police	1,972,625	1,918,135	54,490
Fire protection	376,864	371,450	5,414
Ambulance	27,038	27,038	-
Code enforcement	341,813	352,591	(10,778)
Planning and zoning	37,700	22,664	15,036
Emergency management	6,400	5,246	1,154
Total Public Safety	<u>2,762,440</u>	<u>2,697,124</u>	<u>65,316</u>
Health and welfare	<u>18,640</u>	<u>12,730</u>	<u>5,910</u>

Continued on next page.

**UPPER UWCHLAN TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original and Final Appropriated Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (cont'd)			
Current:			
Public works:			
Highway general services	918,316	901,104	17,212
Signs, signals, and street lights	17,200	6,357	10,843
Total Public Works	<u>935,516</u>	<u>907,461</u>	<u>28,055</u>
Culture and parks:			
Parks	154,596	187,447	(32,851)
Historical commissions	3,500	5,085	(1,585)
Total Culture and Parks	<u>158,096</u>	<u>192,532</u>	<u>(34,436)</u>
TOTAL EXPENDITURES	<u>4,882,029</u>	<u>5,155,320</u>	<u>(273,291)</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>759,335</u>	 <u>1,868,914</u>	 <u>1,109,579</u>
 OTHER FINANCING SOURCES (USES)			
Interfund transfers out	-	(855,000)	(855,000)
Refund of prior year expenditures	-	570	570
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(854,430)</u>	<u>(854,430)</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 759,335</u>	 1,014,484	 <u>\$ 255,149</u>
 FUND BALANCE, BEGINNING OF YEAR		 <u>3,795,178</u>	
 FUND BALANCE, END OF YEAR		 <u>\$ 4,809,662</u>	

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2014**  
(With Comparative Summarized Data for December 31, 2013)

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2014	2013
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 3,867,199	\$ 3,867,199	\$ 3,435,761
Cash - restricted	6,004,752	16,158	6,020,910	16,142
Investments	-	-	-	251,045
Interest receivable	510	-	510	-
Accounts receivable	-	282,504	282,504	258,154
Prepaid expenses	-	3,453	3,453	6,075
Total Current Assets	<u>6,005,262</u>	<u>4,169,314</u>	<u>10,174,576</u>	<u>3,967,177</u>
Noncurrent Assets:				
Investments	-	253,801	253,801	-
Investments - restricted	-	252,638	252,638	250,136
Equipment	-	78,050	78,050	78,050
Infrastructure and improvements	13,516,924	973,254	14,490,178	14,490,178
Less: Accumulated depreciation	(2,091,401)	(191,964)	(2,283,365)	(2,001,552)
Total Noncurrent Assets	<u>11,425,523</u>	<u>1,365,779</u>	<u>12,791,302</u>	<u>12,816,812</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,430,785</u>	<u>\$ 5,535,093</u>	<u>\$ 22,965,878</u>	<u>\$ 16,783,989</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ -	\$ 76,755	\$ 76,755	\$ 66,252
Due to other funds	-	31,625	31,625	57,815
Accrued interest	16,634	-	16,634	-
Bonds payable, net	170,114	-	170,114	-
Total Current Liabilities	<u>186,748</u>	<u>108,380</u>	<u>295,128</u>	<u>124,067</u>
Noncurrent Liabilities:				
Bonds payable, net	5,907,615	-	5,907,615	-
Total Noncurrent Liabilities	<u>5,907,615</u>	<u>-</u>	<u>5,907,615</u>	<u>-</u>
Total Liabilities	<u>6,094,363</u>	<u>108,380</u>	<u>6,202,743</u>	<u>124,067</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,336,422	859,340	12,195,762	12,566,676
Restricted - tapping fees	-	268,796	268,796	266,278
Unrestricted	-	4,298,577	4,298,577	3,826,968
Total Net Position	<u>11,336,422</u>	<u>5,426,713</u>	<u>16,763,135</u>	<u>16,659,922</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 17,430,785</u>	<u>\$ 5,535,093</u>	<u>\$ 22,965,878</u>	<u>\$ 16,783,989</u>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Comparative Summarized Data for the Year Ended December 31, 2013)**

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2014	2013
<b>OPERATING REVENUES</b>				
Charges for services	\$ 37,705	\$ 1,731,230	\$ 1,768,935	\$ 1,670,456
<b>TOTAL OPERATING REVENUES</b>	<u>37,705</u>	<u>1,731,230</u>	<u>1,768,935</u>	<u>1,670,456</u>
<b>OPERATING EXPENSES</b>				
Administrator	-	49,519	49,519	21,118
Administration	-	123,979	123,979	116,562
Advertising	-	1,662	1,662	-
Chemicals	-	12,121	12,121	16,110
Contracted services	-	115,435	115,435	106,542
Depreciation	249,677	32,136	281,813	281,503
Dues and memberships	-	1,609	1,609	-
Engineering services	-	262,484	262,484	149,725
Insurance	-	11,764	11,764	11,279
Lawn maintenance	-	7,763	7,763	11,544
Lease rental expense	-	37,705	37,705	-
Pumping and sludge hauling	-	35,782	35,782	44,562
Professional fees	-	38,135	38,135	9,658
Repairs and maintenance	-	179,473	179,473	106,069
Supplies	-	8,989	8,989	4,475
Testing	-	42,939	42,939	50,277
Vegetation management	-	14,530	14,530	5,646
Permits	-	10,144	10,144	583
Utilities	-	294,931	294,931	228,304
Utility billing costs	-	7,421	7,421	6,007
Miscellaneous	-	2,869	2,869	6,211
<b>TOTAL OPERATING EXPENSES</b>	<u>249,677</u>	<u>1,291,390</u>	<u>1,541,067</u>	<u>1,176,175</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(211,972)</u>	<u>439,840</u>	<u>227,868</u>	<u>494,281</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	1,644	13,651	15,295	4,602
Bond issuance costs	(79,225)	-	(79,225)	-
Interest expense	(54,339)	-	(54,339)	-
Accretion of bond premium	5,114	-	5,114	-
Miscellaneous revenue	-	-	-	26,827
Transfers out	-	(11,500)	(11,500)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(126,806)</u>	<u>2,151</u>	<u>(124,655)</u>	<u>31,429</u>
<b>CHANGE IN NET POSITION</b>	(338,778)	441,991	103,213	525,710
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>11,675,200</u>	<u>4,984,722</u>	<u>16,659,922</u>	<u>16,134,212</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 11,336,422</u>	<u>\$ 5,426,713</u>	<u>\$ 16,763,135</u>	<u>\$ 16,659,922</u>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Comparative Summarized Data for the Year Ended December 31, 2013)**

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 37,195	\$ 1,706,880	\$ 1,744,075	\$ 1,817,234
Payments to suppliers for goods and services	-	(1,272,319)	(1,272,319)	(846,943)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>37,195</u>	<u>434,561</u>	<u>471,756</u>	<u>970,291</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers to other funds	-	(11,500)	(11,500)	-
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>(11,500)</u>	<u>(11,500)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	-	-	-	(24,800)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,800)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	1,644	13,651	15,295	4,602
Interest expense	(37,705)	-	(37,705)	-
Bond issuance costs	(79,225)	-	(79,225)	-
Proceeds from issuance of general obligation bond	6,082,843	-	6,082,843	-
Purchase of investments	-	(5,258)	(5,258)	(501,181)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>5,967,557</u>	<u>8,393</u>	<u>5,975,950</u>	<u>(496,579)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>6,004,752</u>	<u>431,454</u>	<u>6,436,206</u>	<u>448,912</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>-</u>	<u>3,451,903</u>	<u>3,451,903</u>	<u>3,002,991</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,004,752</u>	<u>\$ 3,883,357</u>	<u>\$ 9,888,109</u>	<u>\$ 3,451,903</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating (loss) income	\$ (211,972)	\$ 439,840	\$ 227,868	\$ 494,281
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	249,677	32,136	281,813	281,503
(Increase) Decrease in assets:				
Accounts receivable	-	(24,350)	(24,350)	173,605
Interest receivable	(510)	-	(510)	-
Prepaid expenses	-	2,622	2,622	1,791
Increase (Decrease) in liabilities:				
Accounts payable and accrued expenses	-	10,503	10,503	(3,246)
Due to other funds	-	(26,190)	(26,190)	22,357
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 37,195</u>	<u>\$ 434,561</u>	<u>\$ 471,756</u>	<u>\$ 970,291</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	\$ -	\$ 3,867,199	\$ 3,867,199	\$ 3,435,761
Cash - restricted	6,004,752	16,158	6,020,910	16,142
	<u>\$ 6,004,752</u>	<u>\$ 3,883,357</u>	<u>\$ 9,888,109</u>	<u>\$ 3,451,903</u>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2014**  
**(With Comparative Data for 2013)**

	Agency Fund Escrow Fund		Trust Funds	
	2014	2013	2014	2013
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,319	\$ 26,002	\$ 169,642	\$ 215,059
Prepaid pension payments	-	-	4,988	1,970
Prepaid expenses	-	-	-	8,000
Investments, at fair value:				
Exchange traded funds	-	-	4,422,873	3,752,969
<b>TOTAL ASSETS</b>	<b>\$ 27,319</b>	<b>\$ 26,002</b>	<b>\$ 4,597,503</b>	<b>\$ 3,977,998</b>
 <b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due to others	\$ 27,319	\$ 26,002	\$ -	\$ -
 <b>NET POSITION</b>				
Restricted for pension benefits	-	-	4,597,503	3,977,998
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 27,319</b>	<b>\$ 26,002</b>	<b>\$ 4,597,503</b>	<b>\$ 3,977,998</b>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Comparative Data for the Year Ended December 31, 2013)**

	Trust Funds	
	2014	2013
ADDITIONS		
Contributions:		
State aid	\$ 139,416	\$ 128,184
Employer contribution	143,890	127,572
Employee contribution	74,994	63,167
Total Contributions	<u>358,300</u>	<u>318,923</u>
Investment income:		
Net realized/unrealized gain on investments	216,890	456,517
Interest and dividends	78,583	77,778
Net Investment Income	<u>295,473</u>	<u>534,295</u>
TOTAL ADDITIONS	<u>653,773</u>	<u>853,218</u>
DEDUCTIONS		
Benefits paid	23,645	7,882
Administrative expenses	10,623	6,200
TOTAL DEDUCTIONS	<u>34,268</u>	<u>14,082</u>
CHANGE IN FIDUCIARY NET POSITION	619,505	839,136
NET POSITION, BEGINNING OF YEAR	<u>3,977,998</u>	<u>3,138,862</u>
NET POSITION, END OF YEAR	<u>\$ 4,597,503</u>	<u>\$ 3,977,998</u>

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

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upper Uwchlan Township (the "Township") complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, Upper Uwchlan Township is considered to be an independent reporting entity.

Blended Component Unit

The Upper Uwchlan Township Municipal Authority is a public authority, which exists to provide sewer operations using the assets of the Township Sewer Fund. The Authority is considered a blended component unit and is shown in the financial statements as part of the primary government proprietary funds. The Authority is audited by Barbacane, Thornton & Company LLP; whose report dated April 23, 2015 is publicly available through the offices of Upper Uwchlan Township.

Basis of Presentation

***Entity-wide Financial Statements***

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

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

***Fund Financial Statements***

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The three major governmental funds are each presented in a single column on the governmental fund financial statements.

The Township reports the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** accounts for the resources accumulated for future capital projects.
- The **Solid Waste Fund** accounts for the resources accumulated for contracted solid waste collection services.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Nonmajor Funds account for the proceeds of specific revenue sources that are restricted or assigned to expenditures for specified purposes. The special revenue funds of the Township are:

- The **Liquid Fuels Fund** accounts for state revenues used primarily for building, improving, and maintaining the Township's streets and bridges.
- The **Act 209 Fund** accounts for revenues received from transportation impact fees and similar revenues. Expenditures consist of improvements to the Township's roadways either by major capital installations or minor repairs.
- The **Stormwater Fund** accounts for grants and other revenues received for stormwater management projects. Expenditures consist of betterments which improve stormwater management within the Township.

The Township reports the following major proprietary funds:

- The **Sewer Fund** accumulates resources necessary for the operations of the Upper Uwchlan Sewer Authority.
- The **Sewer Authority** accounts for the activities of the Upper Uwchlan Township Municipal Authority, a blended component unit of the Township. The Authority operates the sewage treatment plant, sewage pumping stations, and collection systems.

***Governmental Funds***

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

Revenue Recognition

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

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Property tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded as deferred inflows of resources until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

***Proprietary Funds***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are enterprise funds.

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

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year end.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value.

Receivables and Payables

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The governmental funds balance sheet reports delinquent taxes not collected within 60 days of year end as deferred inflows of resources since they are not considered available to liquidate liabilities of the current period in accordance with modified accrual reporting.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial, individual cost of more than \$5,000 (\$10,000 for tangible assets and infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The Township reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the entity-wide financial statements regardless of their amount.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Machinery and equipment	5 - 20 years
Vehicles	5 - 18 years
Land improvements	10 - 30 years
Buildings and improvements	7 - 40 years
Infrastructure	50 years

The half-year convention is used to record depreciation. Under this convention, half of the normal depreciation is recorded in the first and last year of an asset's estimated useful life.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Fund Balances

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

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

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

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

**Unassigned** – all other spendable amounts.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Implementation of GASB Statement

During the current year, the Township implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25." The objective of this statement is to improve financial reporting by state and local governmental pension plans. The implementation of this statement had no effect on the financial position of the Township.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2      DEPOSITS AND INVESTMENTS

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2      DEPOSITS AND INVESTMENTS (cont'd)

funds on deposit excluding the pension funds. At December 31, 2014, the carrying amount of the Township's deposits was \$16,320,745, and the bank balance was \$16,370,768. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$6,504,155 was collateralized by pooled securities in accordance with Act 72. The deposits collateralized in accordance with Act 72 were exposed to custodial credit risk because they were uninsured and the collateral held by the depository's agent was not in the Township's name. The remaining balance of \$9,116,613 was held in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Cash and cash equivalents held by the pension funds are disclosed in the Plans' separate audited financial statements as discussed in Notes 9 and 10, and are excluded from the balances above.

***Investments***

Statutes authorize the Township to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits; or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Savings and Loan Insurance Corporation ("FSLIC"), or the National Credit Union Share Insurance Fund ("NCUSIF"). The Township also is authorized to invest in obligations of 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 or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

As of December 31, 2014, the Township had the following investments and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Matures in One to Five Years</u>
Certificates of deposit	\$ 760,197	\$ 760,197
<b>TOTAL</b>	<b>\$ 760,197</b>	<b>\$ 760,197</b>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2014, none of Township's investments were subject to custodial credit risk.

Interest Rate Risk

The Township has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2014, all of the Township's investments had maturity dates of less than five years.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2     DEPOSITS AND INVESTMENTS (cont'd)

Credit Risk

The Township has no investment policy that would limit its investment choices to those with certain credit ratings.

Pension Plans

Investments held by the pension funds are disclosed in the Plans' separate audited financial statements, as described in Notes 9 and 10, and are excluded from the balances above.

NOTE 3     INTERFUND ACTIVITY

The composition of interfund balances as of December 31, 2014 is as follows:

<u>Receivable To:</u>	<u>Payable From:</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 3,812
Solid Waste Fund	General Fund	\$ 1,156
Act 209 Fund - nonmajor	General Fund	\$ 50,000
General Fund	Sewer Authority	\$ 30,497
Solid Waste Fund	Sewer Authority	\$ 1,128

Interfund balances represent temporary loans which will be repaid shortly after year end.

Interfund transfers:

<u>Transfers out:</u>		<u>Transfers in:</u>	
General Fund	\$ 700,000	Capital Projects Fund	\$ 700,000
General Fund	155,000	Stormwater Fund	155,000
Solid Waste Fund	600,000	Capital Projects Fund	600,000
Sewer Authority	<u>11,500</u>	Stormwater Fund	<u>11,500</u>
Total	<u>\$ 1,466,500</u>	Total	<u>\$ 1,466,500</u>

General Fund and Solid Waste Fund transfers to the Capital Projects Fund were made to fund debt service payments and to set aside funds for future capital projects. General Fund transfers were made to the Stormwater Fund to set aside funds for future stormwater management projects. Sewer Authority transfers to the Stormwater Fund were made to reimburse the Stormwater Fund for a portion of the cost of a project which benefitted the Sewer Authority.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 UNEARNED REVENUES

At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from revenue received but not yet earned. Unearned revenues as of December 31, 2014 consisted of engineering fees and solid waste collection fees received prior to year end for services rendered in the following year.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
General capital assets not being depreciated:				
Land	\$ 280,000	\$ 120,000	\$ -	\$ 400,000
Construction-in-progress	27,373	-	27,373	-
Total general capital assets not being depreciated	<u>307,373</u>	<u>120,000</u>	<u>27,373</u>	<u>400,000</u>
General capital assets being depreciated:				
Land improvements	775,575	11,396	-	786,971
Infrastructure	2,474,664	147,218	-	2,621,882
Buildings and improvements	1,359,504	72,312	-	1,431,816
Machinery and equipment	1,630,039	146,409	53,205	1,723,243
Total general capital assets being depreciated	<u>6,239,782</u>	<u>377,335</u>	<u>53,205</u>	<u>6,563,912</u>
Accumulated depreciation:				
Land improvements	139,217	39,064	-	178,281
Infrastructure	240,918	127,656	-	368,574
Buildings and improvements	78,738	37,372	-	116,110
Machinery and equipment	632,883	119,777	40,256	712,404
Total accumulated depreciation	<u>1,091,756</u>	<u>323,869</u>	<u>40,256</u>	<u>1,375,369</u>
Total general capital assets being depreciated, net	<u>5,148,026</u>	<u>53,466</u>	<u>12,949</u>	<u>5,188,543</u>
Governmental Activities, Net	<u>\$ 5,455,399</u>	<u>\$ 173,466</u>	<u>\$ 40,322</u>	<u>\$ 5,588,543</u>

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 5      CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities:</u>				
Capital assets being depreciated:				
Sewer system - Infrastructure	\$14,490,178	\$ -	\$ -	\$14,490,178
Equipment	78,050	-	-	78,050
Total capital assets being depreciated	14,568,228	-	-	14,568,228
Accumulated depreciation:				
Sewer system - Infrastructure	1,989,845	274,008	-	2,263,853
Equipment	11,707	7,805	-	19,512
Total accumulated depreciation	2,001,552	281,813	-	2,283,365
Total capital assets being depreciated, net	12,566,676	(281,813)	-	12,284,863
Business-type Activities, Net	\$12,566,676	\$ (281,813)	\$ -	\$12,284,863

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

<u>Governmental Activities:</u>	
General government	\$ 74,031
Public safety	129,845
Public works - highways and streets	65,852
Other public works	38,019
Culture and recreation	16,122
Total Depreciation Expense - Governmental Activities	\$ 323,869
<u>Business-type Activities:</u>	
Sewer operations	\$ 281,813

NOTE 6      LONG-TERM DEBT

Governmental Activities:

National Penn Bank - General Obligation Note with interest at a fixed rate of 1.95% per annum, payable monthly. Maturity date is June 21, 2026. \$ 768,256

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

National Penn Bank - General Obligation Note with interest at a fixed rate of 3.75% through September 2015 and at a variable rate equal to 60% of the Wall Street Journal Prime rate plus 2.50%, per annum, up to a maximum of 7% through maturity. Maturity date is September 1, 2021.

309,084

\$ 1,077,340

Business-type Activities:

General Obligation Bond Series of 2014 with interest ranging from 1% to 4%, payable semi-annually (June 1 and December 1). Maturity date is December 1, 2039.

\$ 5,955,000

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations is as follows:

Governmental Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2015	\$ 134,025	\$ 32,511	\$ 166,536
2016	138,043	28,493	166,536
2017	142,284	24,252	166,536
2018	138,078	19,916	157,994
2019	63,858	9,667	73,525
2020-2024	338,639	28,986	367,625
2025-2026	122,413	2,134	124,547
	<u>\$ 1,077,340</u>	<u>\$ 145,959</u>	<u>\$ 1,223,299</u>

Business-type Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2015	\$ 165,000	\$ 199,612	\$ 364,612
2016	170,000	197,962	367,962
2017	170,000	194,562	364,562
2018	175,000	189,462	364,462
2019	185,000	184,212	369,212
2020-2024	990,000	844,060	1,834,060
2025-2029	1,120,000	716,114	1,836,114
2030-2034	1,350,000	492,000	1,842,000
2035-2039	1,630,000	200,600	1,830,600
	<u>\$ 5,955,000</u>	<u>\$ 3,218,584</u>	<u>\$ 9,173,584</u>

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

A schedule of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation notes	\$1,407,114	\$ -	\$ 329,774	\$ 1,077,340	\$ 134,025
Capital leases payable	33,830	-	33,830	-	-
Total Governmental Activities	<u>\$1,440,944</u>	<u>\$ -</u>	<u>\$ 363,604</u>	<u>\$ 1,077,340</u>	<u>\$ 134,025</u>
<u>Business-type Activities:</u>					
General obligation bonds	\$ -	\$ 5,955,000	\$ -	\$ 5,955,000	\$ 165,000
Bond premium	-	127,843	5,114	122,729	5,114
Total Business-type Activities	<u>\$ -</u>	<u>\$ 6,082,843</u>	<u>\$ 5,114</u>	<u>\$ 6,077,729</u>	<u>\$ 170,114</u>

For the year ended December 31, 2014, interest expense in the amount of \$37,539 was recorded as a direct expense of the Capital Fund, and interest expense in the amount of \$54,339 was recorded as a direct expense of the Sewer Fund.

NOTE 7 TAXES

For the year ended December 31, 2014, the Township levied the following taxes on assessed value of real estate:

1.034 mills for general purposes,  
0.087 mills for fire hydrants

The taxable assessed valuation of property as of December 31, 2014 was \$933,384,398.

The real estate tax collection calendar is as follows:

Initial billing	-	March 1
Discount period	-	March 1 - April 30
Face period	-	May - June 30
Penalty period	-	July 1 and thereafter
Lien date	-	February 28

Other taxes levied in 2014:

Real estate transfer tax	-	1% of sale price
Earned income tax	-	0.5% of gross income

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 FUND BALANCES

As of December 31, 2014, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable	\$ 27,924	\$ -	\$ 6,047	\$ -	\$ 33,971
Restricted					
Capital projects	-	669,584	-	-	669,584
Highways and streets	-	-	-	820,252	820,252
Solid waste	-	-	384,922	-	384,922
Stormwater	-	-	-	111,738	111,738
Unassigned	4,781,738	-	-	-	4,781,738
<b>Total Fund Balances</b>	<b><u>\$4,809,662</u></b>	<b><u>\$ 669,584</u></b>	<b><u>\$ 390,969</u></b>	<b><u>\$ 931,990</u></b>	<b><u>\$ 6,802,205</u></b>

NOTE 9 POLICE PENSION PLAN

Plan description and provisions:

The Police Pension Fund is a single-employer defined benefit pension plan. The plan is governed by the Township Board of Supervisors, which may amend plan provisions and is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to INR Advisory Services LLC.

Plan Membership

Actuarial valuation report form 205, filed with the Public Employee Retirement Commission and dated as of January 1, 2013, the most recent actuarial valuation, disclosed that pension plan membership consisted of the following:

Active employees	10
Vested terminated employees	<u>1</u>
<b>Total</b>	<b><u>11</u></b>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

Members are eligible for normal retirement at age 55 with 25 years of continuous service and are entitled to a monthly pension equal to 50 percent of the member's average applicable compensation. A member becomes 100 percent vested in the benefit accrued after 12 or more

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9      POLICE PENSION PLAN (cont'd)

years of continued service. Payments continue after the member's death to the surviving spouse, or eligible child, equal to 50 percent of the normal retirement benefit payable to the member at the time of death.

Members are eligible for early retirement after 20 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the benefit accrued to the early retirement date.

If a member continues working after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly late retirement pension benefit is equal to the actuarial equivalent of the benefit accrued to the late retirement date.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50 percent of the monthly pension benefit the member would have been receiving had he been retired at the time of death.

An active member is eligible for a monthly disability benefit if the member is disabled in the line of duty. The disability pension is equal to two percent of the member's average applicable compensation, multiplied by the total number of years of service.

Any member who has been a regularly appointed employee for a period of at least six months and who thereafter enters into active military service of the United States of America shall receive credit for all such active military service, if he or she returns to employment within six months after his or her separation from active military service.

If a member enters into active military duty prior to becoming an active employee of the Township, they shall receive credit for each year of active military service or a fraction thereof for a period not to exceed five years.

Members' contributions are to be three percent of monthly regular salary, overtime, extra duty, and longevity pay.

Method Used to Value Investments

Investments are reported at fair value.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Police Pension Plan's deposits was \$117,738, which is equal to the deposits in a depository account held by the trustee of the plan in the Township's name. None of this balance was subject to custodial credit risk.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9      POLICE PENSION PLAN (cont'd)

***Investments***

The investment objective of the Police Pension Plan is to maintain a balanced portfolio comprised of equity and fixed income securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. All investment balances are maintained in exchange traded funds, which do not have a maturity date.

As of December 31, 2014, the Township Police Pension Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Exchange traded funds:	
Intermediate-term Bond ETFs	\$ 713,026
International Market Equity ETFs	591,514
Domestic Stock ETFs:	
Small-cap	223,638
Mid-cap	225,744
Large-cap	1,443,391
Total Investments	\$ 3,197,313

Investments in external investment pools, such as those in exchange traded funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. In 2014, employees contributed three percent of eligible compensation into the plan. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

**NOTE 9**      POLICE PENSION PLAN (cont'd)

of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed basis. The remaining amortization period was at 13 years.

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$2,665,508	\$2,883,107	\$ 217,599	92.5%	\$ 923,018	23.6%

Three Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage Contributed
2012	\$177,831	86.3%
2013	\$177,548	116.6%
2014	\$201,991	100.0%

**NOTE 10**      NON-UNIFORMED PENSION PLAN

Plan description and provisions:

The Non-Uniformed Pension Fund is a single-employer defined benefit pension plan. The plan is governed by the Township Board of Supervisors, which may amend plan provisions and is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to INR Advisory Services LLC.

Plan Membership

Actuarial valuation report form 205, filed with the Public Employee Retirement Commission and dated as of January 1, 2013, the most recent actuarial valuation, disclosed that pension plan membership consisted of the following:

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10     NON-UNIFORMED PENSION PLAN (cont'd)

Active employees	13
Vested terminated employees	<u>3</u>
Total	<u>16</u>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

Members are eligible for normal retirement at age 65 with 25 years of continuous service and are entitled to a monthly pension equal to two percent of the member's average applicable compensation, multiplied by the total number of years of service. A member becomes 100 percent vested in the benefit accrued after five or more years of continued service. Payments continue after the member's death to the member's named beneficiary and can be taken in the form of a lump-sum payment, an annuity, or a combination of both.

Members are eligible for early retirement at age 62 after 20 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the benefit accrued to the early retirement date.

If a member continues working after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly late retirement pension benefit is equal to the actuarial equivalent of the benefit accrued to the late retirement date.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50 percent of the monthly pension benefit the member would have been receiving had he been retired at the time of death.

An active member is eligible for a monthly disability benefit if the member is disabled in the line of duty. The disability pension is equal to two percent of the member's average applicable compensation, multiplied by the total number of years of service.

Any member who has been a regularly appointed employee for a period of at least six months and who thereafter enters into active military service of the United States of America shall receive credit for all such active military service, if he or she returns to employment within six months after his or her separation from active military service.

If a member enters into active military duty prior to becoming an active employee of the Township, they shall receive credit for each year of active military service or a fraction thereof for a period not to exceed five years.

Members' contributions in 2014 were five percent of monthly regular salary, overtime, extra duty, and longevity pay.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10    NON-UNIFORMED PENSION PLAN (cont'd)

Method Used to Value Investments

Investments are reported at fair value.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Non-Uniformed Pension Plan's deposits was \$51,904, which is equal to the deposits in a depository account held by the trustee of the plan in the Township's name. None of this balance was subject to custodial credit risk.

***Investments***

The investment objective of the Non-Uniformed Pension Plan is to maintain a balanced portfolio comprised of equity and fixed income securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. All investment balances are maintained in mutual funds, which do not have a maturity date.

As of December 31, 2014, the Township Non-Uniformed Pension Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Exchange traded funds:	
Intermediate-term Bond ETFs	\$ 273,289
International Market Equity ETFs	226,756
Domestic Stock ETFs:	
Small-cap	85,744
Mid-cap	86,492
Large-cap	<u>553,279</u>
Total Investments	<u>\$ 1,225,560</u>

Investments in external investment pools, such as those in exchange traded funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. In 2014, Non-Uniformed employees contributed five percent to the plan. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed basis. The remaining amortization period was at 13 years.

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$ 901,770	\$ 923,101	\$ 21,331	97.7%	\$ 777,672	2.7%

Three Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage Contributed
2012	\$76,759	69.6%
2013	\$78,208	132.0%
2014	\$72,741	111.8%

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENT LIABILITIES

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

NOTE 12 CAPITAL LEASES - LESSEE

The Township has entered into a lease agreement as a lessee for financing the acquisition of equipment used by the public works department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Equipment - Corporate Networking Inc.	\$ 101,506
Less: Accumulated depreciation	<u>(12,688)</u>
Total	<u>\$ 88,818</u>

The Township made lease payments of \$34,608 during 2014, of which \$778 represented interest and \$33,830 represented principal. There are no remaining payments as of December 31, 2014.

NOTE 13 RISK MANAGEMENT

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

NOTE 14 ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The Township recognizes as revenue and expenses contributions made by the Commonwealth of Pennsylvania to the Township's Police and Non-Uniformed Pension Plans on behalf of the Township's employees. In fiscal year 2014, the State made contributions of \$139,416. These contributions are recorded in the General Fund as revenue and expenditures.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

**NOTE 15**     **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2014:

**General Fund:**

General government	\$ 338,136
Culture and parks	\$ 34,436

The excess expenditures in the General Fund were covered by revenues exceeding budgeted amounts.

**NOTE 16**     **SUBSEQUENT EVENTS**

The Township has evaluated all subsequent events through June 10, 2015, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**UPPER UWCHLAN TOWNSHIP  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	Special Revenue Funds			Total
	Liquid Fuels Fund	Act 209 Fund	Stormwater Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 306,331	\$ 473,514	\$ 115,238	\$ 895,083
Due from other funds	-	50,000	-	50,000
<b>TOTAL ASSETS</b>	<u>\$ 306,331</u>	<u>\$ 523,514</u>	<u>\$ 115,238</u>	<u>\$ 945,083</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 9,593	\$ -	\$ 3,500	\$ 13,093
<b>TOTAL LIABILITIES</b>	<u>9,593</u>	<u>-</u>	<u>3,500</u>	<u>13,093</u>
<b>FUND BALANCES:</b>				
Restricted	296,738	523,514	111,738	931,990
<b>TOTAL FUND BALANCES</b>	<u>296,738</u>	<u>523,514</u>	<u>111,738</u>	<u>931,990</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 306,331</u>	<u>\$ 523,514</u>	<u>\$ 115,238</u>	<u>\$ 945,083</u>

**UPPER UWCHLAN TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue Funds			Total
	Liquid Fuels Fund	Act 209 Fund	Stormwater Fund	
<b>REVENUES</b>				
Interest	\$ 415	\$ 246	\$ 29	\$ 690
Intergovernmental revenues	296,431	70,883	-	367,314
Charges for service	-	357,000	-	357,000
<b>TOTAL REVENUES</b>	<u>296,846</u>	<u>428,129</u>	<u>29</u>	<u>725,004</u>
<b>EXPENDITURES</b>				
Administration	-	-	7,181	7,181
Public works	320,256	16,861	47,610	384,727
<b>TOTAL EXPENDITURES</b>	<u>320,256</u>	<u>16,861</u>	<u>54,791</u>	<u>391,908</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(23,410)</u>	<u>411,268</u>	<u>(54,762)</u>	<u>333,096</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	166,500	166,500
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>	<u>166,500</u>	<u>166,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	(23,410)	411,268	111,738	499,596
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>320,148</u>	<u>112,246</u>	<u>-</u>	<u>432,394</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 296,738</u>	<u>\$ 523,514</u>	<u>\$ 111,738</u>	<u>\$ 931,990</u>

**UPPER UWCHLAN TOWNSHIP  
COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2014**

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 51,904	\$ 117,738	\$ 169,642
Prepaid pension payments	-	4,988	4,988
Investments, at fair value:			
Exchange traded funds	<u>1,225,560</u>	<u>3,197,313</u>	<u>4,422,873</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,277,464</u>	<u>\$ 3,320,039</u>	<u>\$ 4,597,503</u>
 <b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	\$ -	\$ -	\$ -
 <b>NET POSITION</b>			
Restricted for pension benefits	<u>1,277,464</u>	<u>3,320,039</u>	<u>4,597,503</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,277,464</u>	<u>\$ 3,320,039</u>	<u>\$ 4,597,503</u>

**UPPER UWCHLAN TOWNSHIP  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
State aid	\$ 54,217	\$ 85,199	\$ 139,416
Employer contribution	27,098	116,792	143,890
Employee contribution	42,748	32,246	74,994
Total Contributions	<u>124,063</u>	<u>234,237</u>	<u>358,300</u>
Investment income:			
Net realized/unrealized gain on investments	59,141	157,749	216,890
Interest and dividends	21,497	57,086	78,583
Net Investment Income	<u>80,638</u>	<u>214,835</u>	<u>295,473</u>
<b>TOTAL ADDITIONS</b>	<u>204,701</u>	<u>449,072</u>	<u>653,773</u>
<b>DEDUCTIONS</b>			
Benefits paid	-	23,645	23,645
Administrative expenses	5,110	5,513	10,623
<b>TOTAL DEDUCTIONS</b>	<u>5,110</u>	<u>29,158</u>	<u>34,268</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	199,591	419,914	619,505
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,077,873</u>	<u>2,900,125</u>	<u>3,977,998</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,277,464</u>	<u>\$ 3,320,039</u>	<u>\$ 4,597,503</u>

## OTHER REPORT

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

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June 10, 2015

Board of Supervisors  
Upper Uwchlan Township  
Chester Springs, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Upper Uwchlan Township's basic financial statements, and have issued our report thereon dated June 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Uwchlan Township'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Uwchlan Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Uwchlan Township's internal control.

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

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.

Board of Supervisors  
Upper Uwchlan Township  
Chester Springs, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Uwchlan Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP