

UPPER UWCHLAN TOWNSHIP,

Pennsylvania



COMPREHENSIVE ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

UPPER UWCHLAN TOWNSHIP

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INTRODUCTORY SECTION



Upper Uwchlan Township

June 27, 2016

Citizens of Upper Uwchlan Township,
Members, and Board of Supervisors

On behalf of the Finance Department and all Township staff, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015. The purpose of the CAFR is to convey a detailed and transparent representation of the financial position of both governmental and proprietary funds of the Township. Township management is responsible for the preparation and fair representation of the financial statements in accordance with generally accepted accounting procedures and takes full responsibility for the preparation and presentation of said information. The financial statements have been audited by Barbacane, Thornton & Company LLP, Wilmington, Delaware. The CAFR contains an independent auditor's report, management's discussion and analysis, a series of basic financial statements, supplementary information, and statistics. The CAFR, in its entirety, as a supplemental document to the annual Township budget clearly communicates the priorities, goals, and objectives of the Township as they relate to services provided to our community. I would encourage readers of this report to take the time to review all available sections in order to obtain a clear understanding of Township operations and both the short-term and long-term financial position of the Township.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Upper Uwchlan Township's MD&A can be found immediately following the report of the independent auditors.

Township Profile

Upper Uwchlan, originally incorporated as a municipality in 1858, is a Township of the Second Class located in central Chester County, approximately 30 miles west of Philadelphia, PA and 25 miles north of the City of Wilmington, Delaware. Upper Uwchlan Township is one of 73 municipalities that make up Chester County, Pennsylvania, one of the three original Pennsylvania counties created by William Penn in 1682 (Philadelphia and Bucks being the other two). Upper Uwchlan Township is approximately 12.12 square miles in size with a population of 11,227 as reported in the 2010 census. There are 3,618 residential dwellings in the Township with a median value of \$420,100. This compares to a median value in Chester County of \$329,700 and \$164,900 in the Commonwealth of Pennsylvania. The median family

Upper Uwchlan Township

income in Upper Uwchlan Township in 2012 was \$163,415 compared to \$104,431 and \$65,980 for Chester County and the Commonwealth of Pennsylvania, respectively. The Township is in the award-winning Downingtown Area School District. Township residents are well educated. The majority (62.4%) of Township residents are employed in professional occupations, and 22.3% are employed in sales and other office positions. The ten largest employers in Upper Uwchlan provide approximately 1,400 jobs. Most businesses within the Township are small retail or professional offices.

Marsh Creek State Park is located in Upper Uwchlan and Wallace Townships. It is the location of the 535-acre man-made Marsh Creek Lake, which was created when Marsh Creek was dammed in the early 1970's. It has an average depth of 40 feet (73 feet at its deepest); it is stocked with fish and is a stop for migrating waterfowl. Fishing and non-powered or electric-powered boats are permitted. A portion of the Park is open to hunting. There are about 12 miles of trails available for equestrian use, hiking, and mountain biking around the lake. The Township owns over 110 acres of passive and active recreational land in four parks – Upland Farms (56 acres), Hickory Park (32 acres), Fellowship Fields (17 acres), and Larkins Field (7.2 acres).

Upper Uwchlan Township has its own full-time police department and is served by four fire companies from surrounding Townships and three EMS organizations.

2015 in Review

The efficient and effective delivery of quality municipal services has always been and continues to be the Township's goal. The Township has, and will continue to, concentrate on the delivery of core services such as police, public works, building/codes, solid waste and recycling services, fire/emergency medical services, stormwater management, traffic management, parks and recreation, and planning and zoning. The Township continues to be prudent in the development of its annual budgets.

The 2015 budget year saw a great deal of activity in and around the Township. This activity included the continued planning efforts of the Pennsylvania Turnpike, specific to future roadway expansion, construction of Phase II of the Route 100 Wastewater Treatment Plant (a 300,000 gallon per day sequencing batch reactor), the construction of the Little Conestoga Road Wastewater Pump Station and force main, the construction of the Phase II Sewer Expansion Project in Eagle Manor, Windsor Place, and Heather Hills, the construction of a Sunoco pump station located at Little Conestoga Road and Milford Road, repair activities on the Sunoco Mariner I Pipeline, the development of Upland Farms Park, and the construction of the Columbia Eastside Expansion Pipeline Project. The above activities and projects required a great deal of management and utilized a great deal of Township resources. The Columbia Eastside Expansion Project lasted a full calendar year and significantly impacted private property owners as well as the Township and its various parks and wastewater properties. Another project completed in 2015 was the construction of the Fellowship Fields Field House, a 2,000 square foot facility located immediately adjacent to the Fellowship Fields synthetic turf field. This was an exciting public/private partnership with participants including the Marsh Creek Eagles Youth Organization, the Believe and Achieve Foundation, GEYA, and others. Upper Uwchlan Township continues to partner with its local youth groups which has greatly benefited the community in the development of our athletic facilities.

The Township continues to plan in an effort to both provide a vision for future development and to prepare for regulatory mandates such as the MS4 stormwater program. Budget year 2015 saw the completion of planning effort such as the review, update, and adoption of the Township's Land Use Assumptions Report (LUAR) and the completion of Phase I of a Stormwater Authority Feasibility Study. The Township also amended the permitted uses section of the Limited Industrial (LI) Zoning District to add permitted uses through conditional use.

Upper Uwchlan Township

Construction of the Upland Farms Park, a 56-acre passive recreational park, was delayed due to the construction of the Columbia Eastside Expansion Project. October 2015 saw the completion of the Columbia Project and the subsequent construction of Upland Farms Park improvements, to include a 50-space asphalt parking lot, 2,800 linear feet of 8'-wide asphalt trail, natural trails, benches, and signage. Plans continue on Phase I of the Village Transportation Improvement Project with the goal being the design, engineering, and construction of pedestrian-friendly facilities within the Village of Eagle. The Township has been awarded a \$560,000 transportation grant to construct the first phase of the project, a trail connecting Upland Farms, and the existing trail network to the Village of Eagle. Design, engineering, and permitting continues with construction expected in the 2016 or 2017 budget year. The Township will continue to investigate available funding to move the various projects forward.

Our elected officials continue to emphasize cautious and prudent planning and responsible spending based on identified needs of the community. Not including the self-liquidating debt incurred for the much needed sewer expansion project noted below, all remaining debt was incurred for the purchase of the much needed public works facility (2011), the sports lighting at Fellowship Fields (2011), and the construction of Graphite Mine Road. The Township issued \$5,955,000 in general obligation debt for the purposes of funding a proportionate share of the construction of a 300,000 gallon per day wastewater treatment plant (Phase II of the Route 100 plant) and the construction of the Little Conestoga Road Pump Station and force main. This nearly \$6 million in debt is self-liquidating with debt service being funded by user fees paid to the Upper Uwchlan Township Municipal Authority. The Board of Supervisors has tasked Township staff with paying down this debt as expediently as possible, while maintaining a healthy and prudent fund balance and budgeting for capital construction projects.

Awards

For the third consecutive year, Upper Uwchlan Township has been awarded the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award (2016). The award reflects a significant organizational achievement and reflects the commitment and dedication of the Board of Supervisors and staff to meeting the highest principles and well recognized governmental best practices in the area of governmental budgeting. In order to receive the budget award, the Township had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device. Thank you to all of the Department Heads involved in the budget process for their ongoing efforts.

Acknowledgements

With the continued guidance and direction of our elected officials, and with the dedication of all of our volunteers and staff, the Township has, is, and continues to deliver municipal services, with the utmost professionalism, in a prudent and responsible manner, assuring long-term financial stability. The Township's success is a direct result of dedicated elected officials, volunteers, and staff. We thank everyone involved in the organization for the hard work and dedication, it is greatly appreciated!

Cary B. Vargo

Jill Bukata

Cary B. Vargo

Jill Bukata

Township Manager

Treasurer

**Upper Uwchlan Township
Chester County, Pennsylvania
List of Elected and Appointed Officials
December 31, 2015**

Elected Officials

Township Supervisor	Guy A. Donatelli, Esq.
Township Supervisor	Kevin C. Kerr
Township Supervisor	Catherine A. Tomlinson (term expires December 31, 2015)
Township Supervisor	Jamie W. Goncharoff, Esq. (term begins January 1, 2016)
Township Tax Collector	Ben LaGarde

Appointed Officials

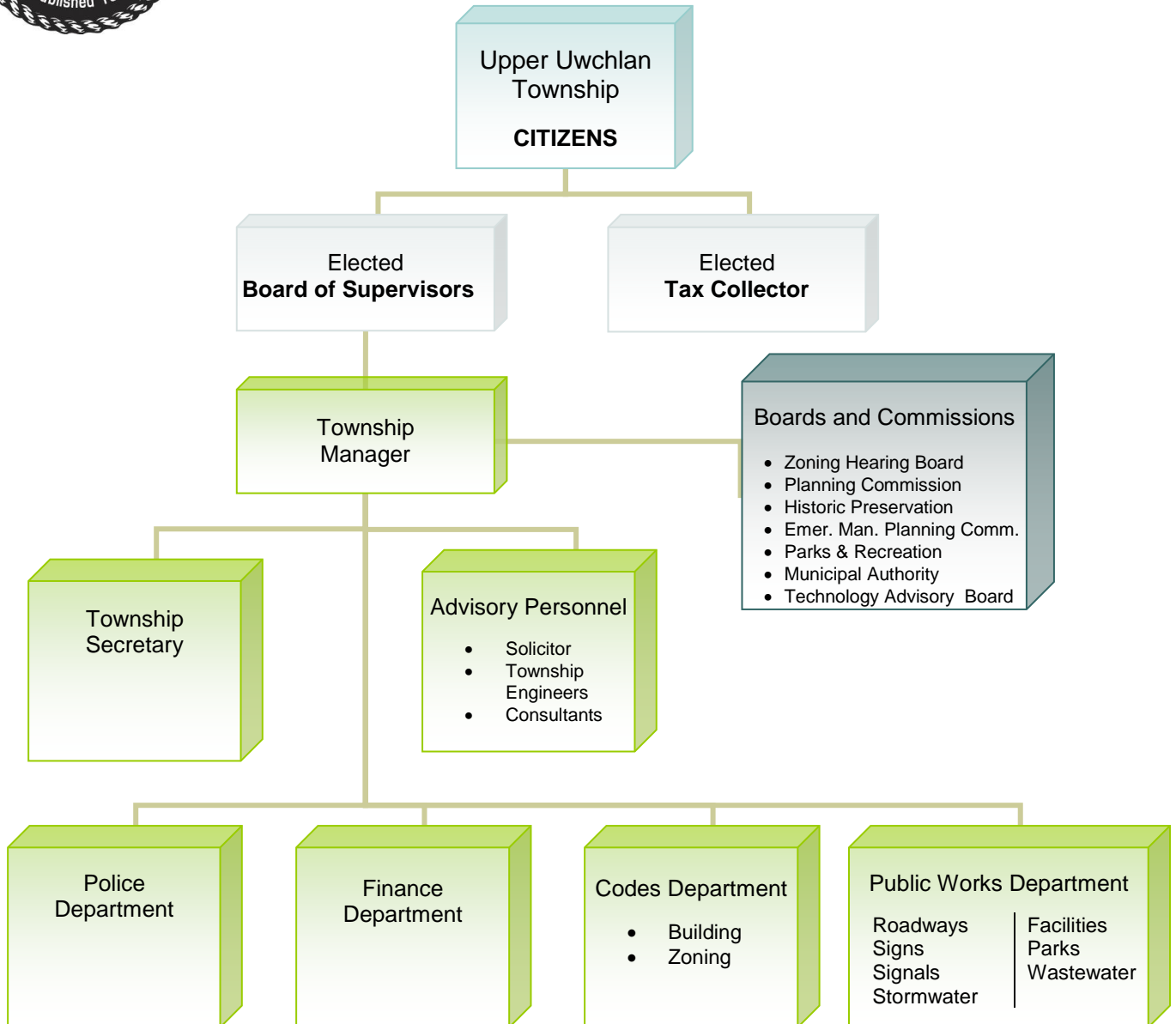
Township Manager	Cary Vargo
Township Secretary	Gwen Jonik
Township Treasurer	Jill Bukata, CPA
Chief of Police	John D. DeMarco
Township Codes Official	Al Gaspari
Public Works Director	Michael Heckman
Township Engineer	Gilmore & Associates
Solicitor	John E. Good Associates

Volunteer Boards

Planning Commission
Zoning Hearing Board
Historic Commission
Park and Recreation Commission
Emergency Management Planning Commission
Technology Advisory Board



UPPER UWCHLAN TOWNSHIP ORGANIZATIONAL CHART



*EMS and Fire services are provided by the following agencies: Uwchlan Ambulance (Station 87), Lionville Fire Department (Station 47), Ludwig's Corner Fire Department (Station 73), East Brandywine Fire Department (Station 49), and the Glenmoore Fire Department (Station 48).

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

June 27, 2016

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 (the "Township"), Chester Springs, Pennsylvania, as of and for the year ended December 31, 2015, 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.

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

Board of Supervisors
Upper Uwchlan Township

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, 2015, 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 discussed in Notes 1 and 17 to the financial statements, the Township has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." These statements modify the accounting for the Township's pensions. In addition, during 2015, the Township adopted GASB Statement No. 72, "Fair Value Measurement and Application." This statement improves the disclosures related to the Township's investments. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Township's 2014 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 June 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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 9 through 17; and the pension funds schedules of changes in the Township's net pension liability, related ratios, and investment returns, the pension funds schedules of employer contributions, and notes to the required supplementary information on pages 62 through 65 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 the Township's basic financial statements. The introductory section, combining nonmajor fund financial statements, statement of changes in assets and liabilities - escrow fund, and statistical section 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.

The combining nonmajor fund financial statements and statement of changes in assets and liabilities - escrow fund have 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 nonmajor fund financial statements and statement of changes in assets and liabilities - escrow fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the 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 the Township's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

UPPER UWCHLAN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

This discussion and analysis of Upper Uwchlan Township (the "Township"), Chester Springs, Pennsylvania provides an overview of the Township's financial performance for the year ended December 31, 2015. Please read it in conjunction with the Township's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- **Assets** – The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,363,601 (representing its net position).
- **Cash and Investments** – Total Township assets (excluding assets held in fiduciary funds) included \$14,055,575 in cash and cash equivalents and investments.
- **Governmental Fund Balances** – As of December 31, 2015, the Township's governmental funds combined ending fund balances of \$6,186,132 was \$616,073 less than the prior year. Of this total, \$2,796,669 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 18 and 19 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 20 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 18 and 19 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 reader can think of the Township's net position 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

UPPER UWCHLAN TOWNSHIP

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

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. The proprietary funds also include the activity of the Upper Uwchlan Municipal Authority, a blended component unit.

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 Position and Changes in Fiduciary Net 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 AS A WHOLE

Entity-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources totaling \$36,047,870 exceeded liabilities and deferred inflows of resources by \$27,363,601 at the close of 2015, 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.

Table 1 STATEMENT OF NET POSITION December 31, 2015 and 2014						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 6,764,756	\$ 7,281,883	\$ 7,993,294	\$ 10,649,390	\$ 14,758,050	\$ 17,931,273
Capital and related assets	6,421,404	5,588,543	14,437,515	12,284,863	20,858,919	17,873,406
Total Assets	13,186,160	12,870,426	22,430,809	22,934,253	35,616,969	35,804,679
Deferred pensions	430,901	-	-	-	430,901	-
Total Deferred Outflows of Resources	430,901	-	-	-	430,901	-
Total Assets and Deferred Outflows of Resources	\$ 13,617,061	\$ 12,870,426	\$ 22,430,809	\$ 22,934,253	\$ 36,047,870	\$ 35,804,679
Current liabilities	\$ 609,195	\$ 605,768	\$ 855,511	\$ 263,503	\$ 1,464,706	\$ 869,271
Non-current liabilities	1,416,964	1,261,173	5,732,503	5,907,615	7,149,467	7,168,788
Total Liabilities	2,026,159	1,866,941	6,588,014	6,171,118	8,614,173	8,038,059
Deferred pensions	70,096	-	-	-	70,096	-
Total Deferred Inflows of Resources	70,096	-	-	-	70,096	-

UPPER UWCHLAN TOWNSHIP

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

Table 1 STATEMENT OF NET POSITION December 31, 2015 and 2014						
(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Net Position:						
Net investment in capital assets	5,712,215	4,511,203	8,529,899	12,195,762	14,242,114	16,706,965
Restricted	3,364,022	1,986,496	271,452	268,796	3,635,474	2,255,292
Unrestricted	2,444,569	4,505,786	7,041,444	4,298,577	9,486,013	8,804,363
Total Net Position	11,520,806	11,003,485	15,842,795	16,763,135	27,363,601	27,766,620
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 13,617,061	\$ 12,870,426	\$ 22,430,809	\$ 22,934,253	\$ 36,047,870	\$ 35,804,679

Township capital assets include infrastructure assets, incorporating approximately 58 miles of road, 41 miles of sewer pipeline, and traffic signals at 11 highway intersections. Total liabilities include \$6,616,805 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 \$9,486,013 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 \$8,804,363.

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 \$517,321 for the year ended December 31, 2015.

Table 2 STATEMENT OF CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
REVENUES:						
Program revenues:						
Charges for services	\$ 1,816,870	\$ 1,638,381	\$ 1,735,848	\$ 1,768,935	\$ 3,917,331	\$ 3,407,316
Operating grants and contributions	628,661	550,316	-	-	628,661	550,316
Capital grants and contributions	13,840	70,883	-	-	13,840	70,883
General revenues:						
Earned income taxes	3,159,131	3,934,451	-	-	3,159,131	3,934,451
Property taxes	971,219	1,045,505	-	-	971,219	1,045,505
Real estate transfer taxes	475,726	434,113	-	-	475,726	434,113
Franchise fees	246,377	242,739	-	-	246,377	242,739
Other	184,225	764,149	13,472	15,295	197,697	779,444
TOTAL REVENUES	7,496,049	8,680,537	1,749,320	1,784,230	9,609,982	10,464,767

UPPER UWCHLAN TOWNSHIP

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

Table 2
STATEMENT OF CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
EXPENSES:						
General government	1,333,516	1,595,060	-	-	1,333,516	1,595,060
Public safety	2,820,930	2,676,368	-	-	2,820,930	2,676,368
Highways/streets	1,553,901	1,345,409	-	-	1,553,901	1,345,409
Other public works	823,187	836,604	-	-	823,187	836,604
Culture and recreation	374,421	205,869	-	-	374,421	205,869
Health and welfare	51,018	12,730	-	-	51,018	12,730
Interest expense	21,755	37,539	-	-	21,755	37,539
Sewer operations	-	-	2,669,660	1,681,017	3,034,273	1,681,017
TOTAL EXPENSES	<u>6,978,728</u>	<u>6,709,579</u>	<u>2,669,660</u>	<u>1,681,017</u>	<u>10,013,001</u>	<u>8,390,596</u>
INCREASE (DECREASE) IN NET POSITION	517,321	1,970,958	(920,340)	103,213	(403,019)	2,074,171
NET POSITION, BEGINNING OF YEAR	<u>11,003,485</u>	<u>9,032,527</u>	<u>16,763,135</u>	<u>16,659,922</u>	<u>27,766,620</u>	<u>25,692,449</u>
NET POSITION, END OF YEAR	<u>\$11,520,806</u>	<u>\$11,003,485</u>	<u>\$15,842,795</u>	<u>\$16,763,135</u>	<u>\$27,363,601</u>	<u>\$27,766,620</u>

The cost of all governmental activities in 2015 was \$6,978,728, including \$362,202 in depreciation. This cost was funded primarily by tax revenue of \$4,606,076, including the earned income tax, real estate taxes, and real estate transfer taxes. Charges/fees for other services, including permits, accounted for an additional \$1,816,870 in revenue, and intergovernmental revenue accounted for another \$642,501.

As indicated by governmental activities expenses, public safety programs account for \$2,820,930, or approximately forty (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 which provide services to the Township. General administration and highways and streets services account for approximately nineteen (19%) percent and twenty-two (22%) percent, respectively, of the total governmental activities expenses for 2015.

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 \$3,159,131 or forty-two (42%) percent of all governmental activity revenue in 2015. Property taxes and real estate transfer taxes provided thirteen (13%) percent and six (6%) percent, respectively, of total governmental activity revenue.

Revenues for governmental activities in 2015 were \$1,184,488 lower than in 2014. This net decrease was due primarily to the following:

- Increase in Charges for Services of \$178,489 in 2015 vs. 2014.

UPPER UWCHLAN TOWNSHIP

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

- Decrease in earned income tax revenue of \$775,320 in 2015 vs. 2014. A substantial portion of this decrease was due to the loss of one employer which relocated outside the Township in 2014. The change was caused both by the loss of the base earned income tax revenue and a large one-time payout made to employees during 2014.
- Decrease in other revenues of \$579,924 is due primarily to easements granted to Columbia Gas Transmission LLC for pipelines on Township property which were included in 2014 revenues.

Business-type (Proprietary Funds) Activities

The Township's sewer system includes 15 sewer pumping stations and approximately 41 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 Table 2, sewer operating expenses totaled \$2,669,660 for 2015. Operating expenses included \$268,306 in depreciation expense in 2015.

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

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 \$175.00 per quarter to residential properties; commercial properties are billed in arrears based on actual usage.

Major sources of sewer revenue in 2015 included:

- Sewer (usage) fees totaling \$1,735,848

Major expenses included:

- Engineering services totaling \$323,590
- Depreciating expense totaling \$268,306
- Utilities expense (electric and water) totaling \$235,137

As also reflected in the Statement of Position, total assets for the business-type activities as of December 31, 2015 were \$22,430,809. This included \$7,993,294 in cash, investment, and other current accounts and \$14,437,515 of equipment and infrastructure assets, including construction-in-progress of the new Route 100 Waste Water Treatment Facility and other sewer infrastructure.

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

UPPER UWCHLAN TOWNSHIP

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

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 20 and 22, as of December 31, 2015, the Township's governmental funds reported combined ending fund balances of \$6,186,132, a decrease of \$616,073 from the prior year.

Approximately forty-five (45%) percent, or \$2,796,669, 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" or "restricted," 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, 2015, the total fund balance of the General Fund was \$2,822,110, a \$1,987,552 decrease from 2014. The primary reason for the decrease in the fund balance was a transfer in the amount of \$2.6 million to the Capital Fund during 2015. As stated above, almost all (99 percent) of the General Fund's fund balance is "unassigned."

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, 2015 was \$1,861,462, an increase of \$1,191,878 from 2014. As mentioned above, the Capital Fund received a transfer of \$2.6 million from the General Fund during 2015.

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, 2015 was \$489,483, an increase of approximately \$98,514 from 2014.

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 position of the Proprietary Funds at the end of the year, as reported on page 26, amounted to \$7,041,444.

UPPER UWCHLAN TOWNSHIP

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's General Fund budget and actual results can be found on pages 24 and 25 of the financial statements.

During 2015, there were no revisions to the original approved General Fund budget.

The conservative 2015 budget for the General Fund anticipated that revenues would exceed expenditures by \$872,255; however, the Township ended the year with actual revenue exceeding expenditures by \$818,867, or \$53,388 less than budget. The net change in fund balance for the year was \$2,050,631 less than budgeted due to the decision to transfer \$2.6 million from the General Fund to the Capital Fund for future capital projects.

This negative budget variance was due primarily to:

- Transfer of \$2 million to the Capital Fund that was not budgeted,
- Earned income tax revenue was \$293,269 less than budget,
- Revenue from real estate transfer taxes was \$150,726 better than budget,
- Charges for services were \$263,654 better than budget, and
- Expenses across all major departments were \$195,364 higher than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the Township's investment in depreciable capital assets for its governmental and business-type activities, as shown on page 18, amounted to \$20,858,919, net of accumulated depreciation. This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, infrastructure, vehicles, and land improvements. The total increase in the Township's investment in capital assets for the current fiscal year was \$2,985,513, net of accumulated depreciation.

The above increase is due primarily to construction-in-progress of the Route 100 Waste Water Treatment Facility and additional infrastructure to connect 134 residential properties.

Long-term Debt

At December 31, 2015, the Township had \$709,189 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 are being 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 \$5,907,616.

UPPER UWCHLAN TOWNSHIP

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

Additional information about the Township's current long-term debt can be found in Note 6 to the financial statements.

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), the Township continues to rely on the earned income tax (EIT) for a large portion (42 percent in 2015) of its revenue in the General Fund. A larger employer that moved out of the Township during 2014 announced plans to relocate back into the Township during 2016. 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 2015; it is anticipated that this revenue can continue to be counted on.
- The Township maintains approximately \$14,000,000 in (insured or collateralized) cash accounts. Interest rates on these accounts have dropped significantly since 2008 and are forecasted to remain very low throughout 2016. 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 2016 General Fund budget in which revenues are expected to exceed expenses by \$362,957. The Township ended 2015 in a strong position, with a General Fund balance of \$2.8 million. The 2016 Budget includes a transfer of \$400,000 and \$100,000 from the General Fund and Solid Waste Funds to the Capital Projects Fund, respectively.
- Salary/wage and FICA costs are budgeted to increase by approximately eight (8%) percent in 2016. This is due primarily to an anticipated increase in fulltime Public Works department employees, due to the creation of a Facilities Department. Non-uniformed personnel are budgeted for three (3%) percent salary increases in 2016.

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, 2015
(With Summarized Comparative Data for December 31, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and cash equivalents	\$ 5,981,569	\$ 3,324,446	\$ 9,306,015	\$ 10,272,516
Restricted cash	-	3,981,578	3,981,578	6,020,910
Investments	256,240	256,464	512,704	-
Restricted investments	-	255,278	255,278	-
Accounts and other receivables	381,526	201,197	582,723	723,228
Taxes receivable	87,416	-	87,416	116,488
Interest receivable	-	-	-	510
Internal activity	32,564	(32,564)	-	-
Prepaid expenses	25,441	6,895	32,336	37,424
Total Current Assets	<u>6,764,756</u>	<u>7,993,294</u>	<u>14,758,050</u>	<u>17,171,076</u>
Noncurrent Assets:				
Investments	-	-	-	507,559
Restricted investments	-	-	-	252,638
Land	400,000	-	400,000	400,000
Construction-in-progress	295,020	3,443,116	3,738,136	-
Depreciable capital assets, net	5,726,384	10,994,399	16,720,783	17,473,406
Total Noncurrent Assets	<u>6,421,404</u>	<u>14,437,515</u>	<u>20,858,919</u>	<u>18,633,603</u>
TOTAL ASSETS	<u>13,186,160</u>	<u>22,430,809</u>	<u>35,616,969</u>	<u>35,804,679</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	430,901	-	430,901	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>430,901</u>	<u>-</u>	<u>430,901</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,617,061</u>	<u>\$ 22,430,809</u>	<u>\$ 36,047,870</u>	<u>\$ 35,804,679</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 273,381	\$ 663,901	\$ 937,282	\$ 176,690
Payroll withholdings payable	91,990	-	91,990	129,112
Unearned revenues	201,536	-	201,536	242,696
Interest payable	-	16,497	16,497	16,634
Current portion of notes payable	42,288	-	42,288	134,025
Current portion of bonds payable, net	-	175,113	175,113	170,114
Total Current Liabilities	<u>609,195</u>	<u>855,511</u>	<u>1,464,706</u>	<u>869,271</u>
Noncurrent Liabilities:				
Notes payable	666,901	-	666,901	943,315
Bonds payable, net	-	5,732,503	5,732,503	5,907,615
Net pension liability	750,063	-	750,063	317,858
Total Noncurrent Liabilities	<u>1,416,964</u>	<u>5,732,503</u>	<u>7,149,467</u>	<u>7,168,788</u>
TOTAL LIABILITIES	<u>2,026,159</u>	<u>6,588,014</u>	<u>8,614,173</u>	<u>8,038,059</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	70,096	-	70,096	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>70,096</u>	<u>-</u>	<u>70,096</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,712,215	8,529,899	14,242,114	16,706,965
Restricted	3,364,022	271,452	3,635,474	2,255,292
Unrestricted	2,444,569	7,041,444	9,486,013	8,804,363
TOTAL NET POSITION	<u>11,520,806</u>	<u>15,842,795</u>	<u>27,363,601</u>	<u>27,766,620</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 13,617,061</u>	<u>\$ 22,430,809</u>	<u>\$ 36,047,870</u>	<u>\$ 35,804,679</u>

* - Restated - See Note 17

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities	Totals
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES:						
General government	\$ 1,333,516	\$ 29,457	\$ 57,271	\$ -	\$ (1,246,788)	\$ (1,246,788)
Public safety	2,820,930	655,478	191,973	-	(1,973,479)	(1,973,479)
Public works - highways and streets	1,553,901	-	325,963	-	(1,227,938)	(1,227,938)
Other public works	823,187	1,038,486	53,454	13,840	282,593	282,593
Culture and recreation	374,421	93,449	-	-	(280,972)	(280,972)
Health and welfare	51,018	-	-	-	(51,018)	(51,018)
Interest expense	21,755	-	-	-	(21,755)	(21,755)
TOTAL GOVERNMENTAL ACTIVITIES	6,978,728	1,816,870	628,661	13,840	(4,519,357)	(4,519,357)
BUSINESS-TYPE ACTIVITIES:						
Sewer operations	2,669,660	1,735,848	-	-	(933,812)	(933,812)
TOTAL BUSINESS-TYPE ACTIVITIES	2,669,660	1,735,848	-	-	(933,812)	(933,812)
TOTAL PRIMARY GOVERNMENT	\$ 9,648,388	\$ 3,552,718	\$ 628,661	\$ 13,840	(933,812)	(5,453,169)
GENERAL REVENUES						
Taxes:						
Real estate taxes					971,219	971,219
Real estate transfer taxes					475,726	475,726
Earned income taxes					3,159,131	3,159,131
Franchise fees					246,377	246,377
Interest and rental income					13,472	13,472
Other revenues					35,223	35,223
Gain (loss) on disposal of capital assets					122,814	122,814
					26,188	26,188
TOTAL GENERAL REVENUES					5,036,678	5,036,678
CHANGE IN NET POSITION					(920,340)	(403,019)
NET POSITION, BEGINNING OF YEAR, RESTATED					16,763,135	27,766,620
NET POSITION, END OF YEAR					\$11,520,806	\$27,363,601

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

UPPER UWCHLAN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	General Fund	Capital Projects Fund	Solid Waste Fund	Other Nonmajor Governmental Funds	Totals
					2015 2014
ASSETS					
Cash and cash equivalents	\$ 2,440,014	\$ 2,035,989	\$ 487,221	\$ 1,018,345	\$ 5,981,569 \$ 6,405,317
Investments	256,240	-	-	-	256,240 253,758
Accounts receivable	214,361	-	167,165	-	381,526 440,724
Taxes receivable	87,416	-	-	-	87,416 116,488
Due from other funds	30,452	-	2,112	673	33,237 86,593
Prepaid expenditures	25,441	-	-	-	25,441 33,971
TOTAL ASSETS	\$ 3,053,924	\$ 2,035,989	\$ 656,498	\$ 1,019,018	\$ 6,765,429 \$ 7,336,851
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 78,439	\$ -	\$ -	\$ 5,941	\$ 84,380 \$ 129,112
Accrued payroll and withholdings	91,990	-	-	-	91,990 88,446
Accrued expenses	-	174,037	14,964	-	189,001 11,489
Due to other funds	183	490	-	-	673 54,968
Unearned revenues - engineering fees	49,485	-	-	-	49,485 48,534
Unearned revenues - solid waste collection fees	-	-	152,051	-	152,051 194,162
TOTAL LIABILITIES	220,097	174,527	167,015	5,941	567,580 526,711
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - real estate taxes	11,717	-	-	-	11,717 7,935
TOTAL DEFERRED INFLOWS OF RESOURCES	11,717	-	-	-	11,717 7,935
FUND BALANCES:					
Nonspendable	25,441	-	-	-	25,441 33,971
Restricted					
Capital projects	-	1,861,462	-	-	1,861,462 669,584
Highways and streets	-	-	-	772,648	772,648 820,252
Solid waste	-	-	489,483	-	489,483 384,922
Stormwater	-	-	-	240,429	240,429 111,738
Unassigned	2,796,669	-	-	-	2,796,669 4,781,738
TOTAL FUND BALANCES	2,822,110	1,861,462	489,483	1,013,077	6,186,132 6,802,205
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,053,924	\$ 2,035,989	\$ 656,498	\$ 1,019,018	\$ 6,765,429 \$ 7,336,851

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, 2015**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,186,132
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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.	6,421,404
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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	11,717
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Deferred inflows and outflows of resources related to the Township's net pension liability are based on the differences between actuarially determined actual and expected investment returns, differences between expected and actual experience, and changes in assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources - pensions	430,901
Deferred inflows of resources - pensions	(70,096)

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	(709,189)
Net pension liability	<u>(750,063)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 11,520,806</u></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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Governmental Funds	Totals	
					2015	2014
REVENUES						
Taxes	\$ 4,602,294	\$ -	\$ -	\$ -	\$ 4,602,294	\$ 5,493,305
Licenses and permits	493,973	-	-	-	493,973	374,927
Fines, forfeits, and costs	58,720	-	-	-	58,720	64,334
Interest, dividends, and rents	31,118	1,177	1,998	930	35,223	23,737
Intergovernmental revenues	372,466	1,199	53,454	339,804	766,923	745,853
Charges for services/fees	467,704	-	1,038,486	-	1,506,190	1,685,073
Miscellaneous revenue/other	-	-	-	-	-	360,475
TOTAL REVENUES	<u>6,026,275</u>	<u>2,376</u>	<u>1,093,938</u>	<u>340,734</u>	<u>7,463,323</u>	<u>8,747,704</u>
EXPENDITURES						
Current:						
General government	1,286,683	19,975	4,818	5,600	1,317,076	1,555,015
Public safety	2,761,025	40,520	-	-	2,801,545	2,727,364
Health and welfare	23,490	27,528	-	-	51,018	12,730
Public works - highways and streets	952,581	502,406	-	454,047	1,909,034	1,383,199
Public works - sanitation	-	-	815,606	-	815,606	798,585
Culture and recreation	183,629	655,061	-	-	838,690	338,638
Debt service:						
Principal	-	368,151	-	-	368,151	401,144
Interest	-	21,755	-	-	21,755	-
TOTAL EXPENDITURES	<u>5,207,408</u>	<u>1,635,396</u>	<u>820,424</u>	<u>459,647</u>	<u>8,122,875</u>	<u>7,216,675</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>818,867</u>	<u>(1,633,020)</u>	<u>273,514</u>	<u>(118,913)</u>	<u>(659,552)</u>	<u>1,531,029</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of general capital asset disposition	-	40,722	-	-	40,722	10,347
Refunds of prior year expenditures	2,757	-	-	-	2,757	570
Transfers in	-	2,784,176	-	200,000	2,984,176	1,466,500
Transfers out	(2,809,176)	-	(175,000)	-	(2,984,176)	(1,455,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,806,419)</u>	<u>2,824,898</u>	<u>(175,000)</u>	<u>200,000</u>	<u>43,479</u>	<u>22,417</u>
NET CHANGE IN FUND BALANCES	<u>(1,987,552)</u>	<u>1,191,878</u>	<u>98,514</u>	<u>81,087</u>	<u>(616,073)</u>	<u>1,553,446</u>
FUND BALANCES, BEGINNING OF YEAR	<u>4,809,662</u>	<u>669,584</u>	<u>390,969</u>	<u>931,990</u>	<u>6,802,205</u>	<u>5,248,759</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,822,110</u>	<u>\$ 1,861,462</u>	<u>\$ 489,483</u>	<u>\$ 1,013,077</u>	<u>\$ 6,186,132</u>	<u>\$ 6,802,205</u>

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

UPPER UWCHLAN TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (616,073)
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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 (\$1,209,597) exceeded depreciation (\$362,202) in the current period.	847,395
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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	3,782
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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 position.	368,151
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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.	(14,534)
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In the statement of activities, pension expense reflects the change in the net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in the net pension liability and related deferrals exceeded pension contributions during the year.	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">(71,400)</div>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 517,321</div>
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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, 2015**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate - current	\$ 1,040,000	\$ 967,437	\$ (72,563)
Real estate - transfer	325,000	475,726	150,726
Earned income tax	3,452,400	3,159,131	(293,269)
Licenses and permits	344,100	493,973	149,873
Fines, forfeits, and costs	63,500	58,720	(4,780)
Interest, dividends, and rents	15,000	31,118	16,118
Intergovernmental revenues	432,249	372,466	(59,783)
Charges for services/fees	204,050	467,704	263,654
Miscellaneous revenue	8,000	-	(8,000)
TOTAL REVENUES	<u>5,884,299</u>	<u>6,026,275</u>	<u>141,976</u>
EXPENDITURES			
Current:			
General government:			
General operations	52,474	53,367	(893)
Administration	576,443	565,303	11,140
Audit services	20,800	24,150	(3,350)
Tax collection	29,707	28,730	977
Legal services	45,000	44,917	83
IT and data processing	52,392	56,440	(4,048)
Engineering	138,500	386,350	(247,850)
Building and grounds	109,802	127,426	(17,624)
Total General Government	<u>1,025,118</u>	<u>1,286,683</u>	<u>(261,565)</u>
Public safety:			
Police	2,001,845	1,920,990	80,855
Fire protection	373,096	367,130	5,966
Ambulance	27,038	27,038	-
Code enforcement	359,224	362,837	(3,613)
Planning and zoning	85,300	75,764	9,536
Emergency management	7,800	7,266	534
Total Public Safety	<u>2,854,303</u>	<u>2,761,025</u>	<u>93,278</u>
Health and welfare	<u>23,840</u>	<u>23,490</u>	<u>350</u>

Continued on next page.

UPPER UWCHLAN TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES (cont'd)			
Current:			
Public works:			
Highway general services	921,438	923,742	(2,304)
Signs, signals, and street lights	18,700	16,576	2,124
Highway maintenance and repair	-	12,263	(12,263)
Total Public Works	<u>940,138</u>	<u>952,581</u>	<u>(12,443)</u>
Culture and parks:			
Parks	165,145	179,453	(14,308)
Historical commissions	3,500	4,176	(676)
Total Culture and Parks	<u>168,645</u>	<u>183,629</u>	<u>(14,984)</u>
TOTAL EXPENDITURES	<u>5,012,044</u>	<u>5,207,408</u>	<u>(195,364)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>872,255</u>	<u>818,867</u>	<u>(53,388)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	(809,176)	(2,809,176)	(2,000,000)
Refund of prior year expenditures	<u>-</u>	<u>2,757</u>	<u>2,757</u>
TOTAL OTHER FINANCING USES	<u>(809,176)</u>	<u>(2,806,419)</u>	<u>(1,997,243)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 63,079</u>	(1,987,552)	<u>\$ (2,050,631)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>4,809,662</u>	
FUND BALANCE, END OF YEAR		<u>\$ 2,822,110</u>	

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2015	2014
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 3,324,446	\$ 3,324,446	\$ 3,867,199
Cash - restricted	3,965,404	16,174	3,981,578	6,020,910
Investments	-	256,464	256,464	-
Investments - restricted	-	255,278	255,278	-
Interest receivable	-	-	-	510
Accounts receivable	-	201,197	201,197	282,504
Due from other funds	41,923	-	41,923	-
Prepaid expenses	-	6,895	6,895	3,453
Total Current Assets	<u>4,007,327</u>	<u>4,060,454</u>	<u>8,067,781</u>	<u>10,174,576</u>
Noncurrent Assets:				
Investments	-	-	-	253,801
Investments - restricted	-	-	-	252,638
Construction-in-progress	-	3,443,116	3,443,116	-
Equipment	-	78,050	78,050	78,050
Infrastructure and improvements	12,266,243	973,254	13,239,497	14,490,178
Less: Accumulated depreciation	<u>(2,099,047)</u>	<u>(224,101)</u>	<u>(2,323,148)</u>	<u>(2,283,365)</u>
Total Noncurrent Assets	<u>10,167,196</u>	<u>4,270,319</u>	<u>14,437,515</u>	<u>12,791,302</u>
TOTAL ASSETS	<u>\$ 14,174,523</u>	<u>\$ 8,330,773</u>	<u>\$ 22,505,296</u>	<u>\$ 22,965,878</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ -	\$ 663,901	\$ 663,901	\$ 76,755
Due to other funds	-	74,487	74,487	31,625
Accrued interest	16,497	-	16,497	16,634
Bonds payable, net	175,113	-	175,113	170,114
Total Current Liabilities	<u>191,610</u>	<u>738,388</u>	<u>929,998</u>	<u>295,128</u>
Noncurrent Liabilities:				
Bonds payable, net	<u>5,732,503</u>	<u>-</u>	<u>5,732,503</u>	<u>5,907,615</u>
Total Noncurrent Liabilities	<u>5,732,503</u>	<u>-</u>	<u>5,732,503</u>	<u>5,907,615</u>
Total Liabilities	<u>5,924,113</u>	<u>738,388</u>	<u>6,662,501</u>	<u>6,202,743</u>
NET POSITION				
Net investment in capital assets	4,259,580	4,270,319	8,529,899	12,195,762
Restricted - tapping fees	-	271,452	271,452	268,796
Unrestricted	3,990,830	3,050,614	7,041,444	4,298,577
Total Net Position	<u>8,250,410</u>	<u>7,592,385</u>	<u>15,842,795</u>	<u>16,763,135</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 14,174,523</u>	<u>\$ 8,330,773</u>	<u>\$ 22,505,296</u>	<u>\$ 22,965,878</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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2015	2014
OPERATING REVENUES				
Charges for services	\$ 364,613	\$ 1,735,848	\$ 2,100,461	\$ 1,768,935
TOTAL OPERATING REVENUES	<u>364,613</u>	<u>1,735,848</u>	<u>2,100,461</u>	<u>1,768,935</u>
OPERATING EXPENSES				
Administrator	-	126,034	126,034	49,519
Administration	-	124,021	124,021	123,979
Advertising	-	1,341	1,341	1,662
Chemicals	-	4,811	4,811	12,121
Contracted services	-	114,512	114,512	115,435
Depreciation	236,169	32,137	268,306	281,813
Dues and memberships	-	-	-	1,609
Engineering services	-	323,590	323,590	262,484
Insurance	-	14,663	14,663	11,764
Lawn maintenance	-	2,070	2,070	7,763
Lease rental expense	-	364,613	364,613	37,705
Pumping and sludge hauling	-	27,374	27,374	35,782
Professional fees	935	42,767	43,702	38,135
Repairs and maintenance	-	82,031	82,031	179,473
Supplies	-	9,724	9,724	8,989
Testing	-	40,549	40,549	42,939
Vegetation management	-	19,734	19,734	14,530
Permits	-	2,963	2,963	10,144
Utilities	-	235,137	235,137	294,931
Utility billing costs	-	5,746	5,746	7,421
Miscellaneous	2,410	4,424	6,834	2,869
TOTAL OPERATING EXPENSES	<u>239,514</u>	<u>1,578,241</u>	<u>1,817,755</u>	<u>1,541,067</u>
OPERATING INCOME (LOSS)	<u>125,099</u>	<u>157,607</u>	<u>282,706</u>	<u>227,868</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	5,407	8,065	13,472	15,295
Bond issuance costs	-	-	-	(79,225)
Interest expense	(199,475)	-	(199,475)	(54,339)
Accretion of bond premium	5,114	-	5,114	5,114
Loss on disposal of capital assets	(1,022,157)	-	(1,022,157)	-
Transfers in (out)	(2,000,000)	2,000,000	-	(11,500)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,211,111)</u>	<u>2,008,065</u>	<u>(1,203,046)</u>	<u>(124,655)</u>
CHANGE IN NET POSITION	(3,086,012)	2,165,672	(920,340)	103,213
NET POSITION, BEGINNING OF YEAR	<u>11,336,422</u>	<u>5,426,713</u>	<u>16,763,135</u>	<u>16,659,922</u>
NET POSITION, END OF YEAR	<u>\$ 8,250,410</u>	<u>\$ 7,592,385</u>	<u>\$ 15,842,795</u>	<u>\$ 16,763,135</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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 364,613	\$ 1,817,155	\$ 2,181,768	\$ 1,744,075
Payments to suppliers for goods and services	(45,268)	(919,538)	(964,806)	(1,272,319)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>319,345</u>	<u>897,617</u>	<u>1,216,962</u>	<u>471,756</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	-	-	-	(11,500)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	-	(3,443,116)	(3,443,116)	-
Interest paid	(199,612)	-	(199,612)	(37,705)
Bond principal payments	(165,000)	-	(165,000)	-
Bond issuance costs	-	-	-	(79,225)
Proceeds from issuance of general obligation bond	-	-	-	6,082,843
Transfer (to) from other funds	(2,000,000)	2,000,000	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,364,612)</u>	<u>(1,443,116)</u>	<u>(3,807,728)</u>	<u>5,965,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	5,919	8,065	13,984	15,295
Purchase of investments	-	(5,303)	(5,303)	(5,258)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,919</u>	<u>2,762</u>	<u>8,681</u>	<u>10,037</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,039,348)	(542,737)	(2,582,085)	6,436,206
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,004,752</u>	<u>3,883,357</u>	<u>9,888,109</u>	<u>3,451,903</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,965,404</u>	<u>\$ 3,340,620</u>	<u>\$ 7,306,024</u>	<u>\$ 9,888,109</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 125,099	\$ 157,607	\$ 282,706	\$ 227,868
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	236,169	32,137	268,306	281,813
(Increase) Decrease in assets:				
Accounts receivable	-	81,307	81,307	(24,350)
Interest receivable	-	-	-	(510)
Due from other funds	(41,923)	-	(41,923)	-
Prepaid expenses	-	(3,442)	(3,442)	2,622
Increase (Decrease) in liabilities:				
Accounts payable and accrued expenses	-	587,146	587,146	10,503
Due to other funds	-	42,862	42,862	(26,190)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 319,345</u>	<u>\$ 897,617</u>	<u>\$ 1,216,962</u>	<u>\$ 471,756</u>
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ -	\$ 3,324,446	\$ 3,324,446	\$ 3,867,199
Cash - restricted	3,965,404	16,174	3,981,578	6,020,910
	<u>\$ 3,965,404</u>	<u>\$ 3,340,620</u>	<u>\$ 7,306,024</u>	<u>\$ 9,888,109</u>

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2015
(With Comparative Data for December 31, 2014)

	Agency Fund Escrow Fund		Trust Funds	
	2015	2014	2015	2014
ASSETS				
Cash and cash equivalents	\$ 34,608	\$ 27,319	\$ 173,473	\$ 169,642
Member contributions receivable	-	-	3,132	-
Other receivables	7,489	-	-	-
Prepaid pension payments	-	-	-	4,988
Prepaid expenses	-	-	6,812	-
Investments, at fair value:				
Exchange traded funds	-	-	4,582,348	4,422,873
TOTAL ASSETS	<u>\$ 42,097</u>	<u>\$ 27,319</u>	<u>\$ 4,765,765</u>	<u>\$ 4,597,503</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to others	\$ 42,097	\$ 27,319	\$ -	\$ -
NET POSITION				
Restricted for pension benefits	-	-	4,765,765	4,597,503
TOTAL LIABILITIES AND NET POSITION	<u>\$ 42,097</u>	<u>\$ 27,319</u>	<u>\$ 4,765,765</u>	<u>\$ 4,597,503</u>

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, 2015
(With Comparative Data for the Year Ended December 31, 2014)

	Trust Funds	
	2015	2014
ADDITIONS		
Contributions:		
State aid	\$ 137,229	\$ 139,416
Employer contribution	105,066	143,890
Employee contribution	81,016	74,994
Total Contributions	<u>323,311</u>	<u>358,300</u>
Investment income:		
Net realized/unrealized (loss) gain on investments	(147,891)	216,890
Interest and dividends	84,016	78,583
Net Investment Income (Loss)	<u>(63,875)</u>	<u>295,473</u>
TOTAL ADDITIONS	<u>259,436</u>	<u>653,773</u>
DEDUCTIONS		
Benefits paid	68,974	23,645
Administrative expenses	<u>22,200</u>	<u>10,623</u>
TOTAL DEDUCTIONS	<u>91,174</u>	<u>34,268</u>
CHANGE IN FIDUCIARY NET POSITION	168,262	619,505
NET POSITION, BEGINNING OF YEAR	<u>4,597,503</u>	<u>3,977,998</u>
NET POSITION, END OF YEAR	<u><u>\$ 4,765,765</u></u>	<u><u>\$ 4,597,503</u></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, the Township is considered to be an independent reporting entity.

Blended Component Unit

The Upper Uwchlan Township Municipal Authority (the "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 May 20, 2016 is publicly available through the offices of the 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.

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

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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").
- 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 resources measurement 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.

In establishing the fair value of investments, the Township uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

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

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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 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. Certain changes made to the net pension liability, including differences between actual and expected experience of pension activities, changes in assumptions, and differences between actual and projected investment returns are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows or inflows of resources on the statement of net position, as applicable.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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 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.

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:

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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 the 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.

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 Statements

During the current year, the Township implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability, or, for multi-employer cost sharing plans, the entity's share of the net pension liability, in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

The Township has also implemented GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value investments.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The new disclosures required by GASB Statement No. 72 are included in Note 2 to the financial statements.

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, 2014, 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 funds on deposit excluding the pension funds. At December 31, 2015, the carrying amount of the Township's deposits was \$13,322,201, and the bank balance was \$13,918,029. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$4,637,063 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 \$8,530,966 was held in the Pennsylvania School District Liquid Asset Fund ("PSDLAF").

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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 10 and 11, 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.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Township has the following recurring fair value measurements as of December 31, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 2</u>	<u>Matures in Less Than One Year</u>
Certificates of deposit	<u>\$ 767,982</u>	<u>\$ 767,982</u>	<u>\$ 767,982</u>
TOTAL	<u>\$ 767,982</u>	<u>\$ 767,982</u>	<u>\$ 767,982</u>

The Township's Level 2 investments in certificates of deposit are valued based on the value at which the investment could be redeemed as of the report date.

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, 2015, 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, 2015, all of the Township's investments had maturity dates of less than one year.

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 10 and 11, and are excluded from the balances above.

NOTE 3 INTERFUND ACTIVITY

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable To:</u>	<u>Payable From:</u>	<u>Amount</u>
General Fund	Sewer Authority	\$ 30,452
Solid Waste Fund	Sewer Authority	\$ 2,112
Liquid Fuels Fund - nonmajor	General Fund	\$ 183
Liquid Fuels Fund - nonmajor	Capital Projects Fund	\$ 490
Sewer Fund	Sewer Authority	\$ 41,923

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	\$ 2,609,176	Capital Projects Fund	\$ 2,609,176
General Fund	200,000	Stormwater Fund	200,000
Solid Waste Fund	175,000	Capital Projects Fund	175,000
Sewer Fund	<u>2,000,000</u>	Sewer Authority	<u>2,000,000</u>
Total	<u>\$ 4,984,176</u>	Total	<u>\$ 4,984,176</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 to the Stormwater Fund were made to set aside funds for future stormwater management projects. Sewer Fund transfers to the Sewer Authority were made to pay for a portion of the Authority's ongoing infrastructure improvement project.

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, 2015 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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
General capital assets not being depreciated:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction-in-progress	-	295,020	-	295,020
Total general capital assets not being depreciated	400,000	295,020	-	695,020
General capital assets being depreciated:				
Land improvements	786,971	266,103	-	1,053,074
Infrastructure	2,621,882	220,459	-	2,842,341
Buildings and improvements	1,431,816	19,975	-	1,451,791
Machinery and equipment	1,723,243	408,040	160,541	1,970,742
Total general capital assets being depreciated	6,563,912	914,577	160,541	7,317,948
Accumulated depreciation:				
Land improvements	178,281	46,001	-	224,282
Infrastructure	368,574	136,606	-	505,180
Buildings and improvements	116,110	40,478	-	156,588
Machinery and equipment	712,404	139,117	146,007	705,514
Total accumulated depreciation	1,375,369	362,202	146,007	1,591,564
Total general capital assets being depreciated, net	5,188,543	552,375	14,534	5,726,384
Governmental Activities, Net	<u>\$ 5,588,543</u>	<u>\$ 847,395</u>	<u>\$ 14,534</u>	<u>\$ 6,421,404</u>

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Construction-in-progress	\$ -	\$ 3,443,116	\$ -	\$ 3,443,116
Capital assets being depreciated:				
Sewer system - infrastructure	14,490,178	-	1,250,681	13,239,497
Equipment	78,050	-	-	78,050
Total capital assets being depreciated	<u>14,568,228</u>	<u>-</u>	<u>1,250,681</u>	<u>13,317,547</u>
Accumulated depreciation:				
Sewer system - infrastructure	2,263,853	260,502	228,524	2,295,831
Equipment	19,512	7,805	-	27,317
Total accumulated depreciation	<u>2,283,365</u>	<u>268,306</u>	<u>228,524</u>	<u>2,323,148</u>
Total capital assets being depreciated, net	<u>12,284,863</u>	<u>(268,306)</u>	<u>1,022,157</u>	<u>10,994,399</u>
Business-type Activities, Net	<u>\$12,284,863</u>	<u>\$ 3,174,810</u>	<u>\$ 1,022,157</u>	<u>\$14,437,515</u>

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

<u>Governmental Activities:</u>	
General government	\$ 24,924
Public safety	64,631
Public works - highways and streets	129,529
Culture and recreation	<u>143,118</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 362,202</u>
<u>Business-type Activities:</u>	
Sewer operations	<u>\$ 268,306</u>

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.	<u>\$ 709,189</u>
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UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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.

\$ 5,790,000

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>
2016	\$ 42,288	\$ 14,488	\$ 56,776
2017	43,185	13,591	56,776
2018	44,101	12,675	56,776
2019	45,036	11,740	56,776
2020	45,991	10,785	56,776
2021-2025	245,001	38,878	283,879
2026	243,587	11,902	255,489
	<u>\$ 709,189</u>	<u>\$ 114,059</u>	<u>\$ 823,248</u>

Business-type Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
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	190,000	176,812	366,812
2021-2025	1,010,000	822,488	1,832,488
2026-2030	1,160,000	680,074	1,840,074
2031-2035	1,400,000	438,000	1,838,000
2036-2039	1,330,000	205,400	1,535,400
	<u>\$ 5,790,000</u>	<u>\$ 3,088,972</u>	<u>\$ 8,878,972</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	\$ 1,077,340	\$ -	\$ 368,151	\$ 709,189	\$ 42,288
Total Governmental Activities	<u>\$ 1,077,340</u>	<u>\$ -</u>	<u>\$ 368,151</u>	<u>\$ 709,189</u>	<u>\$ 42,288</u>
<u>Business-type Activities:</u>					
General obligation bonds	\$ 5,955,000	\$ -	\$ 165,000	\$ 5,790,000	\$ 170,000
Bond premium	122,729	-	5,113	117,616	5,113
Total Business-type Activities	<u>\$ 6,077,729</u>	<u>\$ -</u>	<u>\$ 170,113</u>	<u>\$ 5,907,616</u>	<u>\$ 175,113</u>

For the year ended December 31, 2015, interest expense in the amount of \$21,755 was recorded as a direct expense of the Capital Fund, and interest expense in the amount of \$199,475 was recorded as a direct expense of the Sewer Fund.

NOTE 7 TAXES

For the year ended December 31, 2015, 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, 2015 was \$933,648,478.

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 2015:

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, 2015, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable	\$ 25,441	\$ -	\$ -	\$ -	\$ 25,441
Restricted:					
Capital projects	-	1,861,462	-	-	1,861,462
Highways and streets	-	-	-	772,648	772,648
Solid waste	-	-	489,483	-	489,483
Stormwater	-	-	-	240,429	240,429
Unassigned	<u>2,796,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,796,669</u>
Total Fund Balances	<u>\$2,822,110</u>	<u>\$1,861,462</u>	<u>\$ 489,483</u>	<u>\$1,013,077</u>	<u>\$ 6,186,132</u>

NOTE 9 DEFINED BENEFIT PENSION PLANS

The Town participates in two defined benefit pension plans: the Upper Uwchlan Township Police Pension Plan and the Upper Uwchlan Township Non-Uniformed Pension Plan. The Police Pension Plan, a single-employer defined benefit plan, covers all full-time uniformed police officers. The Non-Uniformed Pension Plan, a single-employer defined benefit plan, covers all full-time permanent employees, other than police officers. The Town contributes to both plans.

The Town administers the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements, using the accrual basis of accounting. Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by GASB Statement No. 34, as follows:

STATEMENT OF NET POSITION - PENSION TRUST FUNDS
December 31, 2015

	Police	Non-Uniformed	Totals
ASSETS			
Cash and cash equivalents	\$ 114,298	\$ 59,175	\$ 173,473
Member contributions receivable	1,435	1,697	3,132
Prepaid expense	6,812	-	6,812
Investments at fair value:			
Exchange traded funds	<u>3,283,303</u>	<u>1,299,045</u>	<u>4,582,348</u>
TOTAL ASSETS	<u>\$ 3,405,848</u>	<u>\$ 1,359,917</u>	<u>\$ 4,765,765</u>

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLANS (cont'd)

STATEMENT OF NET POSITION - PENSION TRUST FUNDS
December 31, 2015

	<u>Police</u>	<u>Non-Uniformed</u>	<u>Totals</u>
LIABILITIES AND NET POSITION			
LIABILITIES	\$ -	\$ -	\$ -
NET POSITION:			
Net position restricted for pensions	<u>3,405,848</u>	<u>1,359,917</u>	<u>4,765,765</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,405,848</u>	<u>\$ 1,359,917</u>	<u>\$ 4,765,765</u>

STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS
For the Year Ended December 31, 2015

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
State aid	\$ 86,258	\$ 50,971	\$ 137,229
Employer contribution	88,341	16,725	105,066
Employee contribution	36,322	44,694	81,016
Total Contributions	<u>210,921</u>	<u>112,390</u>	<u>323,311</u>
Investment Income:			
Interest and dividends	60,412	23,604	84,016
Net realized/unrealized loss on investments	<u>(105,350)</u>	<u>(42,541)</u>	<u>(147,891)</u>
Net Investment Loss	<u>(44,938)</u>	<u>(18,937)</u>	<u>(63,875)</u>
TOTAL ADDITIONS	<u>165,983</u>	<u>93,453</u>	<u>259,436</u>
DEDUCTIONS			
Benefits paid	68,974	-	68,974
Administrative expenses	11,200	11,000	22,200
TOTAL DEDUCTIONS	<u>80,174</u>	<u>11,000</u>	<u>91,174</u>
NET INCREASE IN NET POSITION	85,809	82,453	168,262
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>3,320,039</u>	<u>1,277,464</u>	<u>4,597,503</u>
End of year	<u>\$ 3,405,848</u>	<u>\$ 1,359,917</u>	<u>\$ 4,765,765</u>

Investment policy statements are adopted by the plan administrator for each pension plan.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 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, 2015, the most recent actuarial valuation, disclosed that pension plan membership consisted of the following:

Active employees	11
Vested terminated employees receiving benefits	<u>2</u>
Total	<u>13</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, 2015, 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 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.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

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.

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 2015, 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.

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, 2015, the carrying amount of the Police Pension Plan's deposits was \$114,298, 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 10 POLICE PENSION PLAN (cont'd)

Investments

The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Equities (including equity ETFs)	75%	7.85%
Fixed income (including fixed income ETFs)	22%	1.02%
Cash	3%	<u>-1.37%</u>
Total Net Blended Return		5.67%*

* - Excludes 2.34 percent inflation assumption.

The investment objective of the plan is to maintain a balanced portfolio comprised of exchange-traded funds that invest in a variety of securities.

As of December 31, 2015, the Township Police Pension Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Exchange-traded funds:	
Intermediate-term Bond ETFs	\$ 750,458
International Market Equity ETFs	737,232
Domestic Stock ETFs:	
Small-cap	210,991
Mid-cap	211,754
Large-cap	<u>1,372,868</u>
Total Investments	<u>\$ 3,283,303</u>

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

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.

The plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of December 31, 2015:

	<u>Total</u>	<u>Level 1</u>
Exchange-traded funds	<u>\$ 3,283,303</u>	<u>\$ 3,283,303</u>
	<u><u>\$ 3,283,303</u></u>	<u><u>\$ 3,283,303</u></u>

Credit Risk

As of December 31, 2015, \$750,458 of the pension's deposits was invested in Intermediate-term Bond ETFs managed by Vanguard. Vanguard is registered with the Securities and Exchange Commission and subject to regulatory oversight. The funds are rated by nationally recognized rating organizations and are subject to an independent annual audit.

As of December 31, 2015, the plan's invested balances had the following ratings:

<u>Fund Name</u>	<u>Balance</u>	<u>Morningstar Investors Service Rating</u>
Vanguard Total Bond Market ETF	\$ 376,342	AA
Vanguard Intermediate Term Corporate Bond ETF	<u>374,116</u>	BBB
TOTAL	<u><u>\$ 750,458</u></u>	

Money-weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.27 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015.

The components of net pension liability at December 31, 2015, were as follows:

Total pension liability	\$ 3,989,519
Plan fiduciary net position	<u>(3,405,848)</u>
Net pension liability	<u>\$ 583,671</u>
Plan fiduciary net position as a percentage of the total pension liability	85.37%

The changes in the net pension liability are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$ 3,644,596	\$ 3,320,039	\$ 324,557
Service cost	144,915	-	144,915
Interest	280,745	-	280,745
Difference between actual and expected experience	(73,804)	-	(73,804)
Changes in assumptions	62,041	-	62,041
Contributions – employer	-	88,341	(88,341)
Contributions – state aid	-	86,258	(86,258)
Contributions – employee	-	36,322	(36,322)
Net investment loss	-	(44,938)	44,938
Benefit payments	(68,974)	(68,974)	-
Administrative expenses	-	(11,200)	11,200
Net Changes	<u>344,923</u>	<u>85,809</u>	<u>259,114</u>
Balance at December 31, 2015	<u>\$ 3,989,519</u>	<u>\$ 3,405,848</u>	<u>\$ 583,671</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Position Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.5 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Plan's net pension liability	\$ 1,180,733	\$ 583,671	\$ 88,279

Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2015, the Township recognized pension expense of \$208,046. At December 31, 2015, the Township reported deferred outflows and inflows of resources related to the police pension from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between actual and expected experience	\$ -	\$ 67,694
Changes in assumptions	56,905	-
Difference between actual and projected investment returns	236,456	-
Total Deferred Outflows and Inflows	<u>\$ 293,361</u>	<u>\$ 67,694</u>

The deferred amounts related to the pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2016	\$ 58,140
2017	58,140
2018	58,140
2019	58,140
2020	(974)
Thereafter	<u>(5,919)</u>
	<u>\$ 225,667</u>

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

Actuarial Methods and Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	13 Years
Asset Valuation Method	Section 210(a) of Act 44
Assumptions:	
Inflation	2.25 percent
Salary increases	5.00 percent
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
Retirement Age	55

Mortality rates were based on the Blue Collar RP-2000 Mortality projected to 2015 using Scale AA.

NOTE 11 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, 2015, the most recent actuarial valuation, disclosed that pension plan membership consisted of the following:

Active employees	15
Terminated employees entitled but not yet receiving them	<u>3</u>
Total	<u>18</u>

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2015, 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 2015 were five percent of monthly regular salary, overtime, extra duty, and longevity pay.

Method Used to Value Investments

Investments are reported at fair value.

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

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 2015, 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.

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, 2015, the carrying amount of the Non-Uniformed Pension Plan's deposits was \$59,175, 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 plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Equities (including equity ETFs)	75%	7.85%
Fixed Income (including fixed income ETFs)	22%	1.02%
Cash	3%	<u>-1.37%</u>
Total Net Blended Return		5.67%*

The investment objective of the plan is to maintain a balanced portfolio comprised of exchange-traded funds that invest in a variety of securities.

As of December 31, 2015, 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	\$ 296,920
International Market Equity ETFs	291,759
Domestic Stock ETFs:	
Small-cap	83,422
Mid-cap	83,717
Large-cap	<u>543,227</u>
Total Investments	<u>\$ 1,299,045</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.

The plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of December 31, 2015:

	<u>Total</u>	<u>Level 1</u>
Exchange-traded funds	<u>\$ 1,299,045</u>	<u>\$ 1,299,045</u>
	<u>\$ 1,299,045</u>	<u>\$ 1,299,045</u>

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

Credit Risk

As of December 31, 2015, \$296,920 of the pension's deposits was invested in Intermediate-term Bond ETFs managed by Vanguard. Vanguard is registered with the Securities and Exchange Commission and subject to regulatory oversight. The funds are rated by nationally recognized rating organizations and are subject to an independent annual audit.

As of December 31, 2015, the plan's invested balances had the following ratings:

<u>Fund Name</u>	<u>Balance</u>	<u>Morningstar Investors Service Rating</u>
Vanguard Total Bond Market ETF	\$ 148,922	AA
Vanguard Intermediate Term Corporate Bond ETF	<u>147,998</u>	BBB
TOTAL	<u>\$ 296,920</u>	

Money-weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.32 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015.

The components of net pension liability at December 31, 2015, were as follows:

Total pension liability	\$ 1,526,309
Plan fiduciary net position	<u>(1,359,917)</u>
Net pension liability	<u>\$ 166,392</u>
Plan fiduciary net position as a percentage of the total pension liability	89.10%

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 1,270,765	\$ 1,277,464	\$ (6,699)
Service cost	105,479	-	105,479
Interest	106,487	-	106,487
Difference between actual and expected experience	(2,534)	-	(2,534)
Changes in assumptions	46,112	-	46,112
Contributions – employer	-	16,725	(16,725)
Contributions – state aid	-	50,971	(50,971)
Contributions – employee	-	44,694	(44,694)
Net investment loss	-	(18,937)	18,937
Administrative expenses	-	(11,000)	11,000
Net Changes	<u>255,544</u>	<u>82,453</u>	<u>173,091</u>
Balance at December 31, 2015	<u>\$ 1,526,309</u>	<u>\$ 1,359,917</u>	<u>\$ 166,392</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Position Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.5 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 382,139	\$ 166,392	\$ (16,391)

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2015, the Township recognized pension expense of \$105,650. At December 31, 2015, the Township reported deferred outflows and inflows of resources related to the police pension from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between actual and expected experience	\$ -	\$ 2,402
Changes in assumptions	43,715	-
Difference between actual and projected investment returns	<u>93,825</u>	<u>-</u>
Total Deferred Outflows and Inflows	<u>\$ 137,540</u>	<u>\$ 2,402</u>

The deferred amounts related to the pension will be recognized in pension expense as follows:

Year Ended December 31,

2016	\$ 25,721
2017	25,721
2018	25,721
2019	25,721
2020	2,265
Thereafter	<u>29,989</u>
	<u>\$ 135,138</u>

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liabilities as of December 31, 2015 were determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward January 1, 2015 liabilities to the plan's fiscal plan year ended December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	15 years
Asset Valuation Method	Section 210(a) of Act 44

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 NON-UNIFORMED PENSION PLAN (cont'd)

Assumptions:

Inflation	2.25 percent
Salary increases	4.5 percent
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
Retirement Age	The first day of the month coincident with or next following the date on which the member attains full retirement age for receiving full social security benefits.

NOTE 12 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 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 2015, the State made contributions of \$137,229. These contributions are recorded in the General Fund as revenue and expenditures.

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, 2015:

General Fund:

General government	\$ 261,565
Public works	\$ 12,443
Culture and parks	\$ 14,984

UPPER UWCHLAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 15 EXCESS OF EXPENDITURES OVER APPROPRIATIONS (cont'd)

The excess expenditures in the General Fund were covered by revenues exceeding budgeted amounts, reductions in expenditures in other areas, and use of unassigned fund balance.

NOTE 16 CONSTRUCTION COMMITMENTS

As of December 31, 2015, the Township had several ongoing construction and other projects yet to be completed. The commitments and amounts completed are as follows:

	Project Amount	Completed as of 12/31/2015	Commitments
Governmental Activities:			
Side path project	\$ 210,688	\$ 101,150	\$ 109,538
Eagle Park Village	7,500	7,500	-
Fellowship Field fieldhouse	192,831	186,370	6,461
	<u>\$ 411,019</u>	<u>\$ 295,020</u>	<u>\$ 115,999</u>
Business-type Activities:			
Sewer infrastructure – Phase II	<u>\$ 6,123,924</u>	<u>\$ 3,401,193</u>	<u>\$ 2,722,731</u>

In addition, the Township has incurred costs totaling \$41,923 for business-type project costs that were not under a formalized contract.

NOTE 17 PRIOR PERIOD RESTATEMENT

The Township has restated its January 1, 2014 net position in its governmental activities to record the net pension liability at December 31, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$317,858 in governmental activities net position.

NOTE 18 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through June 27, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**UPPER UWCHLAN TOWNSHIP
POLICE PENSION PLAN
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION
LIABILITY, RELATED RATIOS, AND INVESTMENT RETURNS
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

	2015	2014
TOTAL PENSION LIABILITY		
Service cost	\$ 144,915	\$ 159,096
Interest on total pension liability	280,745	255,099
Differences between expected and actual experience	(73,804)	-
Changes of assumptions	62,041	-
Benefit payments	(68,974)	(23,645)
Net change in total pension liability	344,923	390,550
Total pension liability, beginning	3,644,596	3,254,046
Total pension liability, ending (a)	<u>\$ 3,989,519</u>	<u>\$ 3,644,596</u>
FIDUCIARY NET POSITION		
Contributions - employer	\$ 88,341	\$ 116,792
Contributions - state aid	86,258	85,199
Contributions - member	36,322	32,246
Investment income net of investment expenses	(44,938)	214,835
Benefit payments	(68,974)	(23,645)
Administrative expenses	(11,200)	(5,513)
Net change in fiduciary net position	85,809	419,914
Fiduciary net position, beginning	3,320,039	2,900,125
Fiduciary net position, ending (b)	<u>\$ 3,405,848</u>	<u>\$ 3,320,039</u>
Net pension liability [(a) - (b)]	<u>\$ 583,671</u>	<u>\$ 324,557</u>
Plan fiduciary net position as a percentage of the total pension liability	85.4%	91.1%
Covered payroll	\$ 1,086,238	\$ 1,012,230
Net pension liability as a percentage of covered payroll	53.7%	32.1%
Annual money-weighted return, net of investment expenses	-1.27%	7.33%

Note on Assumption Changes

In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**UPPER UWCHLAN TOWNSHIP
NON-UNIFORMED PENSION PLAN
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION
LIABILITY, RELATED RATIOS, AND INVESTMENT RETURNS
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

	2015	2014
TOTAL PENSION LIABILITY		
Service cost	\$ 105,479	\$ 93,544
Interest on total pension liability	106,487	88,658
Differences between expected and actual experience	(2,534)	-
Changes of Assumptions	46,112	-
Net change in total pension liability	<u>255,544</u>	<u>182,202</u>
Total pension liability, beginning	<u>1,270,765</u>	<u>1,088,563</u>
Total pension liability, ending (a)	<u><u>\$ 1,526,309</u></u>	<u><u>\$ 1,270,765</u></u>
FIDUCIARY NET POSITION		
Contributions - employer	\$ 16,725	\$ 27,098
Contributions - state aid	50,971	54,217
Contributions - member	44,694	42,748
Investment income net of investment expenses	(18,937)	80,638
Administrative expenses	(11,000)	(5,110)
Net change in fiduciary net position	<u>82,453</u>	<u>199,591</u>
Fiduciary net position, beginning	<u>1,277,464</u>	<u>1,077,873</u>
Fiduciary net position, ending (b)	<u><u>\$ 1,359,917</u></u>	<u><u>\$ 1,277,464</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 166,392</u></u>	<u><u>\$ (6,699)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.1%	100.5%
Covered payroll	\$ 900,000	\$ 857,302
Net pension liability as a percentage of covered payroll	18.5%	-0.8%
Annual money-weighted return, net of investment expenses	-1.32%	7.28%

Note on Change in Assumptions

In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA.

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**UPPER UWCHLAN TOWNSHIP
POLICE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2015	\$ 174,599	\$ 174,599	\$ -	\$ 1,086,238	16.07%
2014	\$ 201,991	\$ 201,991	\$ -	\$ 1,012,230	19.96%

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	13 years
Amortization period	Closed
Asset valuation method	Section 210(a) of Act 44
Actuarial assumptions:	
Investment rate of return	7.50%
Discount rate	7.50%
Projected salary increases	5.00%
Cost of living adjustments	0.00%
Mortality	Blue Collar RP-2000 Mortality Table projected to 2015 using Scale AA.

**UPPER UWCHLAN TOWNSHIP
NON-UNIFORMED PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2015	\$ 67,696	\$ 67,696	\$ -	\$ 900,000	7.52%
2014	\$ 72,741	\$ 81,315	\$ (8,574)	\$ 857,302	9.48%

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	15 years
Amortization period	Closed
Asset valuation method	Section 210(a) of Act 44
Actuarial assumptions:	
Investment rate of return	7.50%
Discount rate	7.50%
Projected salary increases	4.50%
Cost of living adjustments	0.00%
Mortality	RP-2000 Mortality Table projected to 2015 using Scale AA.

SUPPLEMENTARY INFORMATION

**UPPER UWCHLAN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds			
	Liquid Fuels Fund	Act 209 Fund	Stormwater Fund	Total
ASSETS				
Cash and cash equivalents	\$ 253,886	\$ 524,030	\$ 240,429	\$1,018,345
Due from other funds	673	-	-	673
TOTAL ASSETS	<u>\$ 254,559</u>	<u>\$ 524,030</u>	<u>\$ 240,429</u>	<u>\$1,019,018</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 5,941	\$ -	\$ -	\$ 5,941
TOTAL LIABILITIES	<u>5,941</u>	<u>-</u>	<u>-</u>	<u>5,941</u>
FUND BALANCES:				
Restricted	248,618	524,030	240,429	1,013,077
TOTAL FUND BALANCES	<u>248,618</u>	<u>524,030</u>	<u>240,429</u>	<u>1,013,077</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 254,559</u>	<u>\$ 524,030</u>	<u>\$ 240,429</u>	<u>\$1,019,018</u>

UPPER UWCHLAN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds			
	Liquid Fuels Fund	Act 209 Fund	Stormwater Fund	Total
REVENUES				
Interest	\$ 376	\$ 516	\$ 38	\$ 930
Intergovernmental revenues	325,964	-	13,840	339,804
TOTAL REVENUES	<u>326,340</u>	<u>516</u>	<u>13,878</u>	<u>340,734</u>
EXPENDITURES				
Administration	-	-	5,600	5,600
Public works	374,460	-	79,587	454,047
TOTAL EXPENDITURES	<u>374,460</u>	<u>-</u>	<u>85,187</u>	<u>459,647</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(48,120)</u>	<u>516</u>	<u>(71,309)</u>	<u>(118,913)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	200,000	200,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
NET CHANGE IN FUND BALANCES	(48,120)	516	128,691	81,087
FUND BALANCES, BEGINNING OF YEAR	<u>296,738</u>	<u>523,514</u>	<u>111,738</u>	<u>931,990</u>
FUND BALANCES, END OF YEAR	<u>\$ 248,618</u>	<u>\$ 524,030</u>	<u>\$ 240,429</u>	<u>\$ 1,013,077</u>

UPPER UWCHLAN TOWNSHIP
COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 59,175	\$ 114,298	\$ 173,473
Member contributions receivable	1,697	1,435	3,132
Prepaid expenses	-	6,812	6,812
Investments, at fair value:			
Exchange traded funds	<u>1,299,045</u>	<u>3,283,303</u>	<u>4,582,348</u>
TOTAL ASSETS	<u><u>\$ 1,359,917</u></u>	<u><u>\$ 3,405,848</u></u>	<u><u>\$ 4,765,765</u></u>
 LIABILITIES AND NET POSITION			
LIABILITIES	\$ -	\$ -	\$ -
 NET POSITION			
Restricted for pension benefits	<u>1,359,917</u>	<u>3,405,848</u>	<u>4,765,765</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,359,917</u></u>	<u><u>\$ 3,405,848</u></u>	<u><u>\$ 4,765,765</u></u>

UPPER UWCHLAN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
State aid	\$ 50,971	\$ 86,258	\$ 137,229
Employer contribution	16,725	88,341	105,066
Employee contribution	44,694	36,322	81,016
Total Contributions	<u>112,390</u>	<u>210,921</u>	<u>323,311</u>
Investment income:			
Net realized/unrealized loss on investments	(42,541)	(105,350)	(147,891)
Interest and dividends	23,604	60,412	84,016
Net Investment Loss	<u>(18,937)</u>	<u>(44,938)</u>	<u>(63,875)</u>
TOTAL ADDITIONS	<u>93,453</u>	<u>165,983</u>	<u>259,436</u>
DEDUCTIONS			
Benefits paid	-	68,974	68,974
Administrative expenses	11,000	11,200	22,200
TOTAL DEDUCTIONS	<u>11,000</u>	<u>80,174</u>	<u>91,174</u>
CHANGE IN FIDUCIARY NET POSITION	82,453	85,809	168,262
NET POSITION, BEGINNING OF YEAR	<u>1,277,464</u>	<u>3,320,039</u>	<u>4,597,503</u>
NET POSITION, END OF YEAR	<u>\$ 1,359,917</u>	<u>\$ 3,405,848</u>	<u>\$ 4,765,765</u>

UPPER UWCHLAN TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ESCROW FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance 1/1/15	Additions	Deductions	Balance 12/31/15
ASSETS:				
Cash	\$ 27,319	\$ 8,740	\$ 1,451	\$ 34,608
Other receivables	<u>-</u>	<u>7,489</u>	<u>-</u>	<u>7,489</u>
 TOTAL ASSETS	 <u>\$ 27,319</u>	 <u>\$ 16,229</u>	 <u>\$ 1,451</u>	 <u>\$ 42,097</u>
 LIABILITIES				
Accounts payable	<u>\$ 27,319</u>	<u>\$ 16,229</u>	<u>\$ 1,451</u>	<u>\$ 42,097</u>

STATISTICAL SECTION

Upper Uwchlan Township

Net Position by Component

Last Ten Fiscal Years Ending December 31,

(Accrual basis of accounting)

Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities:										
Net investment in capital assets	\$ 5,712,215	\$ 4,511,203	\$ 4,014,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,364,022	1,986,496	1,444,621	-	-	-	-	-	-	-
Unrestricted	2,444,569	4,505,786	3,891,309	-	-	-	-	-	-	-
Total governmental activities net position	\$ 11,520,806	\$ 11,003,485	\$ 9,350,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities:										
Net investment in capital assets	\$ 8,529,899	\$ 12,195,762	\$ 12,566,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	271,452	268,796	266,278	-	-	-	-	-	-	-
Unrestricted	7,041,444	4,298,577	3,826,968	-	-	-	-	-	-	-
Total business-type activities net position	\$ 15,842,795	\$ 16,763,135	\$ 16,659,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Primary Government:										
Net investment in capital assets	\$ 14,242,114	\$ 16,706,965	\$ 16,581,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,635,474	2,255,292	1,710,899	-	-	-	-	-	-	-
Unrestricted	9,486,013	8,804,363	7,718,277	-	-	-	-	-	-	-
Total primary government net position	\$ 27,363,601	\$ 27,766,620	\$ 26,010,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The Township prepared and issued its first GAAP financial statements for the year ended December 31, 2013. Information is not available prior to that date.
Source: Township audited financial statements

Upper Uwchlan Township

Changes in Net Position

Last Ten Fiscal Years Ending December 31,

(Accrual basis of accounting)

Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental Activities:										
General government	\$ 1,333,516	\$ 1,595,060	\$ 1,010,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	2,820,930	2,676,368	2,720,110	-	-	-	-	-	-	-
Public works - highways and streets	1,553,901	1,345,409	1,309,513	-	-	-	-	-	-	-
Other public works	823,187	836,604	776,220	-	-	-	-	-	-	-
Culture and recreation	374,421	205,869	177,029	-	-	-	-	-	-	-
Health and welfare	51,018	12,730	13,735	-	-	-	-	-	-	-
Interest expense	21,755	37,539	52,955	-	-	-	-	-	-	-
Total Governmental Activities	<u>6,978,728</u>	<u>6,709,579</u>	<u>6,060,144</u>	-	-	-	-	-	-	-
Business-type Activities:										
Sewer operations	2,012,116	1,669,517	1,176,175	-	-	-	-	-	-	-
Total Business-type Activities	<u>2,012,116</u>	<u>1,669,517</u>	<u>1,176,175</u>	-	-	-	-	-	-	-
Total Expenses	<u>\$ 8,990,844</u>	<u>\$ 8,379,096</u>	<u>\$ 7,236,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 29,457	\$ 4,952	\$ 18,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	655,478	424,958	325,271	-	-	-	-	-	-	-
Public works - highways and streets	-	125,000	53,771	-	-	-	-	-	-	-
Other public works	1,038,486	995,084	1,015,882	-	-	-	-	-	-	-
Culture and recreation	93,449	88,387	50,342	-	-	-	-	-	-	-
Operating grants and contributions	628,661	550,316	626,682	-	-	-	-	-	-	-
Capital grants and contributions	13,840	70,883	59,406	-	-	-	-	-	-	-
Total Governmental Activities	<u>2,459,371</u>	<u>2,259,580</u>	<u>2,149,680</u>	-	-	-	-	-	-	-
Business-type Activities:										
Charges for services										
Sewer operations	2,100,461	1,768,935	1,670,456	-	-	-	-	-	-	-
Total Business-type Activities	<u>2,100,461</u>	<u>1,768,935</u>	<u>1,670,456</u>	-	-	-	-	-	-	-
Total Program Revenues	<u>\$ 4,559,832</u>	<u>\$ 4,028,515</u>	<u>\$ 3,820,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net (Expense) Revenue										
Governmental Activities	<u>\$(4,519,357)</u>	<u>\$(4,449,999)</u>	<u>\$(3,910,464)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities	<u>88,345</u>	<u>99,418</u>	<u>494,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Revenue	<u><u>\$(4,431,012)</u></u>	<u><u>\$(4,350,581)</u></u>	<u><u>\$(3,416,183)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The Township prepared and issued its first GAAP financial statements for the year ended December 31, 2013.

Information is not available prior to that date.

Source: Township audited financial statements

Upper Uwchlan Township

Changes in Net Position

Last Ten Fiscal Years Ending December 31,

(Accrual basis of accounting)

Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues										
Governmental Activities:										
Real estate taxes	\$ 971,219	\$ 1,045,505	\$ 1,036,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate transfer taxes	475,726	434,113	489,576	-	-	-	-	-	-	-
Earned income taxes	3,159,131	3,934,451	3,365,083	-	-	-	-	-	-	-
Franchise fees	246,377	242,739	237,912	-	-	-	-	-	-	-
Interest income	35,223	23,737	22,520	-	-	-	-	-	-	-
Other revenues	122,814	728,912	142,755	-	-	-	-	-	-	-
Gain on sale of capital assets	26,188	-	1,862	-	-	-	-	-	-	-
Interfund transfers	-	11,500	-	-	-	-	-	-	-	-
Total General Revenues and Transfers	<u>5,036,678</u>	<u>6,420,957</u>	<u>5,296,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type Activities:										
Unrestricted investment earnings	13,472	15,295	4,602	-	-	-	-	-	-	-
Loss on sale of capital assets	(1,022,157)	-	-	-	-	-	-	-	-	-
Other revenues	-	-	26,827	-	-	-	-	-	-	-
Interfund transfers	-	(11,500)	-	-	-	-	-	-	-	-
Total Business-type Activities	<u>(1,008,685)</u>	<u>3,795</u>	<u>31,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 4,027,993</u>	<u>\$ 6,424,752</u>	<u>\$ 5,327,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Assets:										
Governmental Activities	\$ 517,321	\$ 1,970,958	\$ 1,385,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities	(920,340)	103,213	525,710	-	-	-	-	-	-	-
Total Change in Net Assets	<u>\$ (403,019)</u>	<u>\$ 2,074,171</u>	<u>\$ 1,911,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Township prepared and issued its first GAAP financial statements for the year ended December 31, 2013.

Information is not available prior to that date.

Source: Township audited financial statements

Upper Uwchlan Township

Fund Balances of Governmental Funds
Last Ten Fiscal Years Ending December 31,
(Modified accrual basis of accounting)
Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 25,441	\$ 27,924	\$ 26,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>2,796,669</u>	<u>4,781,738</u>	<u>3,768,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u><u>\$ 2,822,110</u></u>	<u><u>\$ 4,809,662</u></u>	<u><u>\$ 3,795,178</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
All other governmental funds										
Nonspendable	\$ -	\$ 6,047	\$ 8,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	<u>3,364,022</u>	<u>1,986,496</u>	<u>1,444,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u><u>\$ 3,364,022</u></u>	<u><u>\$ 1,992,543</u></u>	<u><u>\$ 1,453,581</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The Township prepared and issued its first GAAP financial statements for the year ended December 31, 2013. Information is not available prior to that date.
Source: Township audited financial statements

Upper Uwchlan Township
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Property taxes	\$ 4,602,294	\$ 5,493,305	\$ 4,803,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	493,973	374,927	369,641	-	-	-	-	-	-	-
Fines, forfeitures, and costs	58,720	64,334	57,193	-	-	-	-	-	-	-
Interest, dividends, and rents	35,223	23,737	27,321	-	-	-	-	-	-	-
Intergovernmental revenues	766,923	745,853	806,154	-	-	-	-	-	-	-
Charges for services/fees	1,506,190	1,685,073	1,275,372	-	-	-	-	-	-	-
Miscellaneous	-	360,475	16,280	-	-	-	-	-	-	-
Total Revenues	<u>7,463,323</u>	<u>8,747,704</u>	<u>7,355,777</u>	-	-	-	-	-	-	-
EXPENDITURES										
Current:										
General government	1,317,076	1,555,015	1,120,130	-	-	-	-	-	-	-
Public safety	2,801,545	2,727,364	2,616,538	-	-	-	-	-	-	-
Health and welfare	51,018	12,730	13,735	-	-	-	-	-	-	-
Public works - highways and streets	1,909,034	1,383,199	1,388,812	-	-	-	-	-	-	-
Public works - sanitation	815,606	798,585	739,056	-	-	-	-	-	-	-
Culture and recreation	838,690	338,638	207,181	-	-	-	-	-	-	-
Debt Service:										
Principal and interest	389,906	401,144	501,144	-	-	-	-	-	-	-
Total Expenditures	<u>8,122,875</u>	<u>7,216,675</u>	<u>6,586,596</u>	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues over/(under) Expenditures	<u>(659,552)</u>	<u>1,531,029</u>	<u>769,181</u>	-	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)										
Transfers in	2,984,176	1,466,500	300,000	-	-	-	-	-	-	-
Transfers out	(2,984,176)	(1,455,000)	(300,000)	-	-	-	-	-	-	-
Proceeds of general capital asset disposition	40,722	10,347	1,862	-	-	-	-	-	-	-
Refunds of prior year expenditures	2,757	570	906	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>43,479</u>	<u>22,417</u>	<u>2,768</u>	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ (616,073)</u>	<u>\$ 1,553,446</u>	<u>\$ 771,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service as a percentage of noncapital expenditures	5%	6%	8%	0%	0%	0%	0%	0%	0%	0%

The Township prepared and issued its first GAAP financial statements for the year ended December 31, 2013. Information is not available prior to that date.
Source: Township audited financial statements

Upper Uwchlan Township
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years Ending December 31,
Unaudited

Year Ended December 31	Residential	Commercial	Agricultural	Industrial	Total Taxable Assessed Value	Exempt	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Tax Rate
2015	\$ 827,242,078	\$ 105,635,350	\$ 5,212,920	\$ 558,130	\$ 938,648,478	\$ 39,189,700	69.42%	\$ 1,352,129,758	\$ 1.034
2014	824,248,218	103,112,400	5,465,650	558,130	933,384,398	38,994,740	69.42%	1,344,538,773	1.034
2013	819,530,588	102,557,690	5,465,650	558,130	928,112,058	39,207,810	72.69%	1,276,744,354	1.034
2012	819,235,938	101,855,790	5,688,290	558,130	927,338,148	38,921,160	72.62%	1,277,006,542	1.034
2011	822,766,688	101,644,760	5,664,470	558,130	930,634,048	38,404,820	74.96%	1,241,436,089	1.034
2010	821,393,944	102,843,410	7,163,780	558,130	931,959,264	38,190,820	74.88%	1,244,660,360	1.034
2009	822,777,975	98,492,270	7,089,020	558,130	928,917,395	37,743,710	78.74%	1,179,779,908	1.034
2008	786,775,538	95,080,550	6,800,540	579,720	889,236,348	36,541,430	78.91%	1,126,967,260	1.034
2007	705,164,218	93,064,870	6,800,540	579,720	805,609,348	23,855,050	85.37%	943,712,756	1.034
2006	597,371,143	73,747,610	7,569,910	562,260	679,250,923	23,545,780	88.16%	770,470,300	1.034

Source: County Assessment Office and annual tax duplicates

Upper Uwchlan Township
Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 assessed value)
Unaudited

Year Ended December 31	Upper Uwchlan Township			Overlapping Governments		Total Direct and Overlapping
	General Purposes	Ambulance and Rescue	Total Direct Rate	Downingtown Area School District	Chester County	
2015	0.784	0.250	1.034	27.182	4.163	32.379
2014	0.784	0.250	1.034	27.182	4.163	32.379
2013	0.784	0.250	1.034	27.182	4.163	32.379
2012	0.784	0.250	1.034	27.182	3.965	32.181
2011	0.784	0.250	1.034	26.728	3.965	31.727
2010	0.784	0.250	1.034	26.213	3.965	31.212
2009	0.784	0.250	1.034	25.475	3.965	30.474
2008	0.784	0.250	1.034	24.850	3.804	29.688
2007	0.784	0.250	1.034	24.050	3.804	28.888
2006	0.784	0.250	1.034	23.150	3.699	27.883

Upper Uwchlan Township
Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

	2015			2006		
	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank
	Kensey Nash Corp.	\$ 12,750,300	1	1.36%	-	-
	Uni-Tech Pa LP	10,163,660	2	1.08%	8,195,190	3
	Hankin Group	10,103,180	3	1.08%	9,724,110	1
	730 Stockton Drive Associates	9,607,990	4	1.02%	-	-
	Eagle Retail Associates LP	7,844,000	5	0.84%	8,725,060	2
	Dan Scott Fellowship	5,304,500	6	0.57%	-	0
	Eaglepoint Development	4,818,310	7	0.51%	4,255,740	-
	Cutler Group	4,274,050	8	0.46%	-	-
	Eagle Nurseries Inc.	3,463,220	9	0.37%	3,229,110	6
	Innovative Solutions & Support	3,320,130	10	0.35%	3,320,130	5
	Pulte Homes of PA	-	-	-	2,638,730	7
	K. Hovnanian at Upper Uwchlan	-	-	-	2,560,250	8
	Moore's Furniture Inc.	-	-	-	2,476,010	9
	Freight Terminals Inc.	-	-	-	2,401,170	10
		<u>\$ 938,648,478</u>			<u>\$ 679,250,923</u>	

Source: Chester County Assessment Office

Upper Uwchlan Township
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2015	\$ 972,713	\$ 894,792	91.99%	\$ 16,587	\$ 911,379	93.69%
2014	948,062	964,634	101.75%	29,990	994,624	104.91%
2013	988,837	1,005,121	101.65%	31,207	1,036,328	104.80%
2012	963,646	992,717	103.02%	28,101	1,020,818	105.93%
2011	960,501	1,008,725	105.02%	16,184	1,024,909	106.71%
2010	919,470	999,246	108.68%	15,217	1,014,463	110.33%
2009	833,000	941,388	113.01%	24,497	965,885	115.95%
2008	702,345	943,312	134.31%	29,199	972,511	138.47%
2007	653,680	862,724	131.98%	35,624	898,348	137.43%
2006	606,148	791,215	130.53%	5,031	796,246	131.36%

Source: Township financial reports

Upper Uwchlan Township
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities		Business-type Activities		Total Outstanding Debt	Percentage of Personal Income	Population	Debt Per Capita
	Capital Leases	General Obligation Notes	General Obligation Bonds (1)					
2015	\$ -	\$ 709,189	\$ 5,790,000	\$	6,499,189	**	**	**
2014	-	1,077,340	5,955,000		7,032,340	**	**	**
2013	33,830	1,407,114	-		1,440,944	**	**	**
2012	66,899	1,822,234	-		1,889,133	**	**	**
2011	-	2,339,744	-		2,339,744	**	**	**
2010	-	1,110,433	-		1,110,433	**	**	**
2009	-	573,532	-		573,532	**	**	**
2008	-	578,948	-		578,948	**	**	**
2007	-	2,299,273	-		2,299,273	**	**	**
2006	-	-	-		-	**	**	**

(1) Presented net of original issuance discounts and premiums

** - Information is not available

Source: Township audited financial statements

Upper Uwchlan Township

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Unaudited

<u>Fiscal Year Ended December 31</u>	<u>General Obligation Bonds (1)</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2015	\$ 5,790,000	\$ -	\$ 5,790,000	0.43%	\$ 501.73
2014	5,955,000	-	5,955,000	0.44%	516.03
2013	-	-	-	0.00%	-
2012	-	-	-	0.00%	-
2011	-	-	-	0.00%	-
2010	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2006	-	-	-	0.00%	-

Note: Details regarding the Township's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of both governmental and business-type activities, net of original issue discounts and premiums

Upper Uwchlan Township

Direct and Overlapping Governmental Activities Debt

As of December 31, 2015

Unaudited

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Primary Government</u>
<u>Government Unit:</u>			
School District	\$ 131,089,715	*	\$ -
County	518,930,000	*	-
Upper Uwchlan Township direct debt			<u>6,499,189</u>
Total direct and overlapping debt			<u><u>\$ 6,499,189</u></u>

* - Information not yet available

Sources: Outstanding debt and applicable percentages provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Township. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property tax owners of Upper Uwchlan Township. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Upper Uwchlan Township
Legal Debt Margin Information
As of December 31, 2015
Unaudited

<u>Fiscal Year Ended December 31</u>	<u>Total Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Actual Value</u>	<u>Estimated Actual Taxable Value</u>
2015	\$ 938,648,478	69.42%	\$ 1,352,129,758
2014	933,384,398	69.42%	1,344,546,814
2013	928,112,058	72.69%	1,276,808,444
2012	927,338,148	72.62%	1,277,006,542
2011	930,634,048	74.96%	<u>1,241,436,089</u>
Total Five Year Valuation			<u><u>\$ 6,491,927,647</u></u>
Five Year Average Full Valuation of Taxable Real Property			<u><u>\$ 1,298,385,529</u></u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u><u>\$ 90,886,987</u></u>
Outstanding General Obligation Indebtedness as of December 31, 2015:			
Governmental Activities - General Obligation Debt			709,189
Business Activities - General Obligation Debt			<u>5,790,000</u>
Net Indebtedness subject to debt limit			<u><u>\$ 6,499,189</u></u>
Net debt contracting margin			\$ 84,387,798
Percentage of net debt contracting margin available			<u><u>92.85%</u></u>
Percentage of net debt contracting margin exhausted			<u><u>7.15%</u></u>

Upper Uwchlan Township
Principal Employers
Current Year and Nine Years Ago
Unaudited

	2015			2006		
	Employees	Rank	Percentage of Total Township Employment	Employees	Rank	Percentage of Total Township Employment
Kensy Nash Corporation	274	1	5.6%	**	**	**
Eagle Wolfington Leasing	210	2	4.3%	**	**	**
Frontage Laboratories, Inc.	146	3	3.0%	**	**	**
Acme Markets, Inc.	140	4	2.9%	**	**	**
Universal Technical Institute	138	5	2.8%	**	**	**
Wolfington Body Co., Inc.	109	6	2.2%	**	**	**
Innovative Solutions & Support	104	7	2.1%	**	**	**
Seniors of Northern Chester County	101	8	2.1%	**	**	**
Specialty Resources, Inc.	93	9	1.9%	**	**	**
Fedex Freight, Inc.	81	10	1.6%	**	**	**
Total number of people employed in the Township			4,910			

** Information not available

Source: Keystone Collections for 2015 data

Upper Uwchlan Township
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Population	Median Age (1)	Per Capita Income (1)	Personal Income	Education Level in Years of Formal Education (1)			Public School Enrollment (1)	Unemployment Rate (1)
					High School (%)	Bachelors Degree + (%)			
2015	11,540	**	**	**	**	**		**	**
2014	11,419	38.1	51,042	585,263,280	98.6%	70.7%		3,710	4.9%
2013	11,291	38.1	51,944	586,880,790	98.5%	71.4%		3,624	5.7%
2012	11,105	36.9	52,493	582,373,038	98.5%	72.7%		3,596	6.0%
2011	10,824	37.7	55,548	599,737,894	99.1%	71.9%		3,404	5.1%
2010	11,227	37.3	52,868	555,549,773	98.6%	70.3%		3,321	3.5%
2009	10,083	37.2	*	507,775,744	*	*		*	*
2008	*	*	*	*	*	*		*	*
2007	*	*	*	*	*	*		*	*
2006	*	*	*	*	*	*		*	*

Sources:

(1) U.S. Census Bureau

(2) Annual School Census of the Board of Education

* Information is not available

** Information is not yet available

Upper Uwchlan Township
Full-time Equivalent Employees by Function
Last Ten Fiscal Years
Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Function										
General government	4	4	4	4	4	3	3	4	4	5
Public Safety:										
Police	11	11	11	10	10	10	10	10	10	10
Codes	3	3	3	3	3	3	3	3	2	2
Highways and streets	7	7	7	6	5	6	5	5	5	3
Total	25	25	25	23	22	22	21	22	21	20

Upper Uwchlan Township
Operating Indicators by Function
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
Building permits issued	925	1,125	411	302	324	342	333	458	626	706
Public Safety:										
Number of police personnel	11	11	11	11	11	11	11	11	11	11
Number of arrests	100	120	150	110	144	140	192	216	192	120
Number of traffic violations	2,482	2,159	2,427	1,974	2,505	2,251	2,088	2,465	1,791	1,213
Number of police calls	15,138	14,362	12,852	8,234	8,330	8,651	8,334	8,334	6,574	6,772
Number of vehicle accidents	129	218	211	183	189	182	205	229	241	229
Number of fire emergency responses *	127	166	137	141	149	180	144	158	150	184
Number of EMT responses *	417	417	370	436	426	384	381	369	262	344
Sanitation:										
Tons collected and disposed:										
Solid waste	3,185	3,641	3,787	3,710	3,744	4,154	5,034	5,301	**	**
Single stream recyclables	1,536	1,414	1,256	1,253	1,847	2,000	2,119	1,497	**	**
Yard waste	328	530	214	230	207	54	28	33	**	**
Wastewater:										
Catch basins cleaned	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500

* There are no fire or EMT services within the Township. The Township relies on several fire departments and EMT units in neighboring municipalities to provide those services to Township residents.

** Information not available

Upper Uwchlan Township
Capital Asset Statistics by Function
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
Number of buildings (Township and Police)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Safety:										
Number of police buildings	1.00	1.00	-	-	-	-	-	-	-	-
Public Works:										
Number of public works buildings	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Miles of streets	58.43	57.93	53.47	53.47	53.47	49.56	46.54	40.74	40.74	40.74
Miles of storm water mains	58.43	57.93	53.47	53.47	53.47	49.56	46.54	40.74	40.74	40.74
Storm water basins (Township owned)	4.00	4.00	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00
Miles of sanitary sewers	41.42	41.42	41.42	40.32	39.21	38.11	37.01	36.37	36.37	36.37
Pump stations	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Treatment plants	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Recreation and Parks:										
Number of parks and recreation facilities	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Acres of parks	109.85	109.85	56.15	56.15	56.15	56.15	56.15	56.15	56.15	56.15
Trails maintained (miles)	8.25	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00

** Information not available

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

June 27, 2016

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 (the "Township"), Chester Springs, Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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