

# UPPER UWCHLAN TOWNSHIP,

*Pennsylvania*



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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DECEMBER 31, 2016

Prepared by:  
Jill Bukata, CPA, Treasurer

UPPER UWCHLAN TOWNSHIP

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## **INTRODUCTORY SECTION**



## Upper Uwchlan Township

June 22, 2017

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

On behalf of the Finance Department and all Township staff, we are pleased to present the comprehensive annual financial report (CAFR) for the year ended December 31, 2016. The purpose of the CAFR is to convey a detailed and transparent representation of the financial position of the governmental, proprietary, and fiduciary 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. As part of this preparation, the Township has designed and implemented a comprehensive system of internal controls over financial reporting that assist in providing reasonable assurance that the financial statements are fairly presented. In developing this system of internal controls, consideration was given to ensure that the controls provided reasonable, but not absolute assurance that Township assets are safely guarded from loss or unauthorized use, that the accounting records used to prepare the financial statements are reliable, and that accountability for the records is maintained. The concept of reasonable assurance recognizes that the costs and benefits of implementing these controls require estimates and judgments by management.

The financial statements have been audited by Barbacane, Thornton & Company LLP, Wilmington, DE. 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. We 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.

# Upper Uwchlan Township

## 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, DE. 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. In 2016, there were 3,704 residential parcels in the Township with a median value of \$420,700 and a total assessed valuation of \$947,861,978. This compares to a median value in Chester County of \$325,800 and \$166,000 in the Commonwealth of Pennsylvania. The median family income in Upper Uwchlan Township in 2015 (the most recent year for which demographic information is available) was \$63,140 compared to \$63,339 and \$66,959 for Chester County and the Commonwealth of Pennsylvania, respectively. Township residents are well educated. The majority (63.8 percent) of Township residents are employed in professional occupations, and 20.7 percent are employed in sales and other office positions.

The ten largest employers in Upper Uwchlan Township provide approximately 1,600 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 90 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, which in July 2016 received Pennsylvania Chiefs of Police Association Accreditation. Accreditation communicates a commitment to best management practices in law enforcement, community relations and communications, and reduces exposure to lawsuits and liability. The awarding of accreditation status was the culmination of four years of hard work and commitment by the leadership team within our police department and all of our police officers; we are very proud of their accomplishments. The Township is served by four volunteer fire companies from surrounding Townships and three EMS organizations, all staffed by committed, well-trained personnel.

## 2016 In Review

Commensurate with the ever-improving economy, the Township has seen a significant increase in conditional use and land development applications for both residential and commercial development. This significant increase in activity and the resultant increase in commercial businesses and residential population makes prudent planning for the efficient and effective delivery of quality municipal services a critically important objective. 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, storm water management, traffic management, parks and recreation, and planning and zoning. The Township continues to be prudent in the development of its annual budgets.

# Upper Uwchlan Township

Legal budgetary control is maintained at the department level under direction of the Township Manager. The 2016 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 bridge replacements and roadway expansion; planning efforts for construction of Phase III of the Route 100 Wastewater Treatment Plant (a 300,000 gallon per day sequencing batch reactor); the completion of 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; continued development of Upland Farms Park, and planning efforts for the construction of the Sunoco Mariner II/III Pipeline Project. Activities such as the Sunoco Mariner II/III pipeline project are expected to take approximately 18 - 24 months to complete and will require a great deal of management and will utilize a great deal of Township resources.

Continued development of the Upland Farms Park, a 56-acre passive recreational park, has included construction of an area dedicated to the retirement of the U.S. flag, the installation of a 50-foot flag pole, and improvements to existing outbuildings located at the park. Plans for Phase I of the Village Transportation Trail Project were finalized and the \$500,000+ project was designed, engineered, permitted, and constructed. This trail connects the Upland Farms Park and the existing trail network to the Village of Eagle and included the addition or repair of one (1) + mile of asphalt trail. The Township will continue to apply for available transportation funding to be used to construct additional transportation-related projects. The Township also completed design and engineering of an as-of-yet named pocket park to be located on Township property in the Village of Eagle at the intersection of Pottstown Pike and Station Boulevard.

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. In 2015, the Township issued \$6 million 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 \$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. Upper Uwchlan Township was also awarded a GFOA Certificate of Achievement for Excellence in Financial Reporting for our first ever CAFR issued for the year ended December 31, 2015.

# Upper Uwchlan Township

## 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*

Cary B. Vargo  
Township Manager

*Jill Bukata*

Jill Bukata  
Treasurer

**Upper Uwchlan Township  
Chester County, Pennsylvania  
List of Elected and Appointed Officials  
December 31, 2016**

**Elected Officials**

Township Supervisor	Guy A. Donatelli, Esq.
Township Supervisor	Kevin C. Kerr
Township Supervisor	Jamie W. Goncharoff, Esq.
Township Tax Collector	Ben LaGarde

**Appointed Officials**

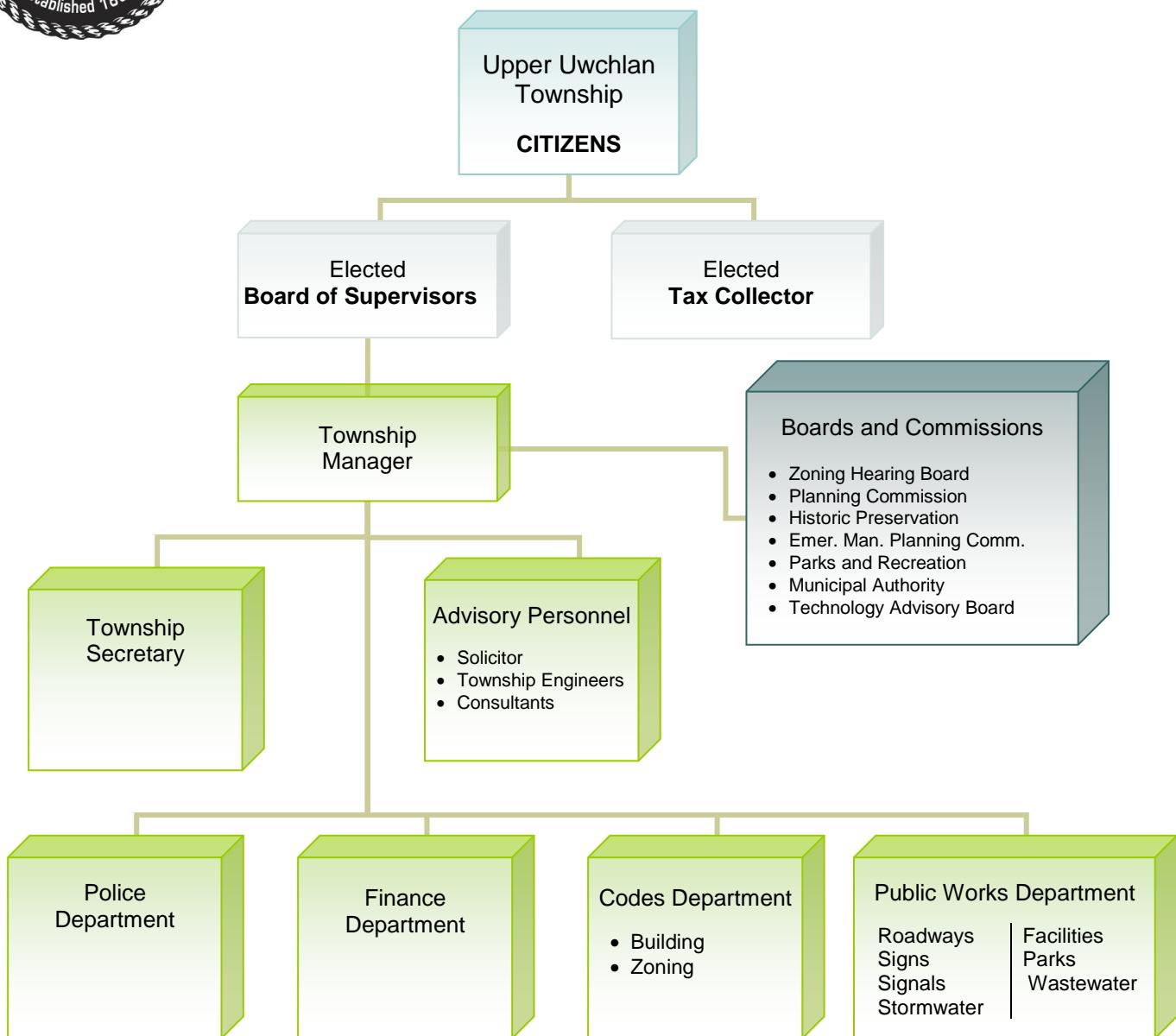
Township Manager	Cary Vargo
Township Secretary	Gwen Jonik
Township Treasurer	Jill Bukata, CPA
Chief of Police	John D. DeMarco
Township Codes Official	Al Gaspari
Public Works Director	Michael Heckman
Township Engineer	Gilmore & Associates
Solicitor	John E. Good Associates

**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**

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INDEPENDENT AUDITOR'S REPORT

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June 22, 2017

Board of Supervisors  
Upper Uwchlan Township  
Chester Springs, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania ("the Township"), as of and for the year ended December 31, 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**BARBACANE  
THORNTON  
& COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Township's 2015 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 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 10 through 19; the pension funds schedules of changes in the Township's net pension liability, related ratios, and investments returns on pages 64 through 65; and the pension funds schedules of employer contributions and notes to the required supplementary information on pages 66 through 67 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 and fiduciary fund financial statements, statement of changes in assets and liabilities – escrow fund, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Supervisors  
Upper Uwchlan Township

The combining nonmajor and fiduciary fund financial statements and statement of changes in assets and liabilities – escrow fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and fiduciary 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 22, 2017 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*  
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, 2016. Please read it in conjunction with the Township's financial statements, which begin on page 20.

#### **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 \$33,577,583 (representing its net position).
- **Cash and Investments** – Total Township assets (excluding assets held in fiduciary funds) included \$8,355,535 in cash and cash equivalents and investments.
- **Governmental Fund Balances** – As of December 31, 2016, the Township's governmental funds combined ending fund balances of \$6,277,448 was \$91,316 more than the prior year. Of this total, \$3,484,467 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 20 and 21 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 22 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 20 and 21 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

## UPPER UWCHLAN TOWNSHIP

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

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 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

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**

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.

**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 Statement of 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 \$41,384,274 exceeded liabilities and deferred inflows of resources by \$33,577,583 at the close of 2016, 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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,835,796	\$ 6,764,756	\$ 2,301,710	\$ 7,993,294	\$ 9,137,506	\$ 14,758,050
Capital and related assets	7,294,872	6,421,404	24,644,911	14,437,515	31,939,783	20,858,919
Total Assets	14,130,668	13,186,160	26,946,621	22,430,809	41,077,289	35,616,969
Deferred pensions	306,985	430,901	-	-	306,985	430,901
Total Deferred Outflows of Resources	306,985	430,901	-	-	306,985	430,901
Total Assets and Deferred Outflows of Resources	\$ 14,437,653	\$ 13,617,061	\$ 26,946,621	\$ 22,430,809	\$ 41,384,274	\$ 36,047,870

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**

<b>Table 1</b> <b>STATEMENT OF NET POSITION</b> <b>December 31, 2016 and 2015</b>							
	Governmental Activities		Business-type Activities		Totals		
	2016	2015	2016	2015	2016	2015	
(cont'd)							
Current liabilities	\$ 586,186	\$ 609,195	\$ 428,397	\$ 855,511	\$ 1,014,583	\$ 1,464,706	
Non-current liabilities	1,170,866	1,416,964	5,557,388	5,732,503	6,728,254	7,149,467	
Total Liabilities	<u>1,757,052</u>	<u>2,026,159</u>	<u>5,985,785</u>	<u>6,588,014</u>	<u>7,742,837</u>	<u>8,614,173</u>	
Deferred pensions	63,854	70,096	-	-	63,584	70,096	
Total Deferred Inflows of Resources	<u>63,854</u>	<u>70,096</u>	<u>-</u>	<u>-</u>	<u>63,584</u>	<u>70,096</u>	
Net Position:							
Net investment in capital assets	6,828,688	5,712,215	19,125,899	8,529,899	25,954,587	14,242,114	
Restricted	2,782,189	3,364,022	392,259	271,452	3,174,448	3,635,474	
Unrestricted	3,005,870	2,444,569	1,442,678	7,041,444	4,448,548	9,486,013	
Total Net Position	<u>12,616,747</u>	<u>11,520,806</u>	<u>20,960,836</u>	<u>15,842,795</u>	<u>33,577,583</u>	<u>27,363,601</u>	
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 14,437,653</u>	<u>\$ 13,617,061</u>	<u>\$ 26,946,621</u>	<u>\$ 22,430,809</u>	<u>\$ 41,384,274</u>	<u>\$ 36,047,870</u>	

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 \$6,198,686 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 \$4,448,548 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 \$9,486,013. Unrestricted net position decreased \$5,037,465 from the prior year primarily due to planned capital expenditures and additions during the year, which increased the Township's net position invested in capital assets.

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 in Table 2, the increase in net position from the Township's governmental activities was \$1,095,941 for the year ended December 31, 2016.

**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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,797,550	\$ 1,816,870	\$ 3,106,309	\$ 1,735,848	\$ 4,903,859	\$ 3,552,718
Operating grants and contributions	1,039,544	628,661	-	-	1,039,544	628,661
Capital grants and contributions	-	13,840	4,559,845	-	4,559,845	13,840
General revenues:						
Earned income taxes	3,354,291	3,159,131	-	-	3,354,291	3,159,131
Real estate taxes	1,014,261	971,219	-	-	1,014,261	971,219
Real estate transfer taxes	513,032	475,726	-	-	513,032	475,726
Franchise fees	254,069	246,377	-	-	254,069	246,377
Other	174,496	184,225	13,523	13,472	188,019	197,697
<b>TOTAL REVENUES</b>	<b>8,147,243</b>	<b>7,496,049</b>	<b>7,679,677</b>	<b>1,749,320</b>	<b>15,826,920</b>	<b>9,245,369</b>
<b>EXPENSES</b>						
General government						
General government	1,208,854	1,333,516	-	-	1,208,854	1,333,516
Public safety	2,814,758	2,820,930	-	-	2,814,758	2,820,930
Public works - highways and streets	1,737,343	1,553,901	-	-	1,737,343	1,553,901
Public works - sanitation	818,581	823,187	-	-	818,581	823,187
Culture and recreation	417,753	374,421	-	-	417,753	374,421
Health and welfare	40,242	51,018			40,242	51,018
Interest expense	13,771	21,755	-	-	13,771	21,755
Sewer operations	-	-	2,561,636	2,669,660	2,561,636	2,669,690
<b>TOTAL EXPENSES</b>	<b>7,051,302</b>	<b>6,978,728</b>	<b>2,561,636</b>	<b>2,669,660</b>	<b>9,612,938</b>	<b>9,648,388</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>						
	1,095,941	517,321	5,118,041	(920,340)	6,213,982	(403,019)
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>11,520,806</b>	<b>11,003,485</b>	<b>15,842,795</b>	<b>16,763,135</b>	<b>27,363,601</b>	<b>27,766,620</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$12,616,747</b>	<b>\$11,520,806</b>	<b>\$20,960,836</b>	<b>\$15,842,795</b>	<b>\$33,577,583</b>	<b>\$27,363,601</b>

The cost of all governmental activities in 2016 was \$7,051,302, including \$295,829 in depreciation. This cost was funded primarily by tax revenue of \$4,881,584, including the earned income tax, real estate taxes, and real estate transfer taxes. Charges for services, including permits, accounted for an additional \$1,797,550 in revenue, and intergovernmental revenue accounted for another \$1,039,544.

As indicated by governmental activities expenses, public safety programs account for \$2,814,758, or approximately forty percent (40%) 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 seventeen percent (17%) and twenty-five percent (25%), respectively, of the total governmental activities expenses for 2016.

## UPPER UWCHLAN TOWNSHIP

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

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 \$3,354,291 or forty-one percent (41%) of all governmental activity revenue in 2016. Property taxes and real estate transfer taxes provided twelve percent (12%) and six percent (6%), respectively, of total governmental activity revenue.

Revenues for governmental activities in 2016 were \$651,194 higher than in 2015. This net increase was due primarily to the following:

- Increase in Operating Grants and Contributions of \$410,883 in 2016 vs. 2015.
- Increase in earned income tax revenue of \$195,160 in 2016 vs. 2015.

#### ***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 \$2,561,636 for 2016. Operating expenses included \$397,917 in depreciation expense in 2016.

For accounting purposes, the Township classifies its business activities in two funds – the Sewer Fund, which reports the sewer infrastructure and equipment, and the related debt on the infrastructure that is used to provide sewer services to the residents of the Township, and the Sewer Authority Fund, which reflects the activities and resulting assets of the Municipal Authority from its operation of the Township's 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 per quarter to residential properties; commercial properties are billed in arrears based on actual usage.

Major sources of sewer revenue in 2016 included:

- Sewer (usage) fees totaling \$1,877,075
- Sewer tapping fees totaling \$861,271
- Capital contributions from the private sector totaling \$4,559,845

Major expenses included:

- Engineering services totaling \$168,122
- Depreciation expense totaling \$34,794
- Utilities expense (electric and water) totaling \$254,571
- Pumping and sludge hauling services totaling \$398,819

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**

As also reflected in the Statement of Net Position, total assets for the business-type activities as of December 31, 2016 were \$26,946,621. This included \$2,301,710 in cash, investment, and other current accounts and \$24,644,911 of equipment and infrastructure assets.

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

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

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

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

As shown on pages 22 and 24, as of December 31, 2016, the Township's governmental funds reported combined ending fund balances of \$6,277,448, an increase of \$91,316 from the prior year.

Approximately fifty-six percent (56%), or \$3,484,467, 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 the Township. As of December 31, 2016, the total fund balance of the General Fund was \$3,495,259, a \$673,149 increase from 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, 2016 was \$1,287,402, a decrease of \$574,060 from 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, 2016 was \$714,761, an increase of \$225,278 from 2015.

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**

**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 28, amounted to \$1,656,168.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The statement comparing the Township's General Fund budget and actual results can be found on pages 26 and 27 of the financial statements.

During 2016, there were no significant revisions to the original approved General Fund budget.

The conservative 2016 budget for the General Fund anticipated that revenues would exceed expenditures by \$762,955; however, the Township ended the year with actual revenue exceeding expenditures by \$1,073,149, or \$310,194 more than budget.

This positive budget variance was due primarily to:

- Revenue from real estate transfer taxes was \$163,032 better than budget,
- Charges for services were \$203,579 better than budget, and
- Expenses across all major departments were \$68,842 better than budget.

These items were offset by earned income taxes being realized at \$201,681 less than originally budgeted.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

##### ***Capital Assets***

As of December 31, 2016, the Township's investment in depreciable capital assets for its governmental and business-type activities, as shown on page 20, amounted to \$31,939,783, 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 \$11,080,864, net of accumulated depreciation.

The above increase is due primarily to the construction of the Route 100 Waste Water Treatment Facility and additional infrastructure to connect 134 residential properties to the Township's sewer infrastructure system. Of this amount, \$4,559,845 was recorded as a capital contribution from private developers who dedicated the sewer infrastructure installed as part of the construction of several developments to the Township.

Additional information about the Township's capital assets can be found in Note 5 to the financial statements.

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**

***Long-term Debt***

At December 31, 2016, the Township had \$466,184 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 \$5,732,502.

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 (41 percent in 2016) of its revenue in the General Fund. A larger employer that moved out of the Township during 2014 began the process of relocating back into the Township during the fall of 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 2016; it is anticipated that this revenue can continue to be counted on.
- The Township maintains approximately \$8,350,000 in (insured or collateralized) cash accounts. Interest rates on these accounts have dropped significantly since 2008 and are forecasted to remain very low throughout 2017. 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 2017 General Fund budget in which revenues are expected to exceed expenses by \$696,363. The Township ended 2016 in a strong position, with a General Fund balance of nearly \$3.5 million. The 2017 Budget includes a transfer of \$950,000 and \$350,000 from the General Fund and Solid Waste Funds to the Capital Projects Fund, respectively. The budget also includes a transfer from the General Fund to the Water Resource Protection Fund in the amount of \$250,000.

**UPPER UWCHLAN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**

- Salary/wage and FICA costs are budgeted to increase by approximately eight percent (8%) in 2017. This is due primarily to a full year with three fulltime Public Works department employees, due to the creation of a Facilities Department in 2016. Also the 2017 budget includes an additional full-time employee to fill the newly created position of Assistant Township Manager. Non-uniformed personnel are budgeted for three percent (3%) salary increases in 2017.

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, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	Governmental Activities	Business-type Activities	Totals	
			2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Current Assets:				
Cash and cash equivalents	\$ 6,001,092	\$ 957,270	\$ 6,958,362	\$ 9,306,015
Restricted cash	-	621,386	621,386	3,981,578
Investments	258,939	259,164	518,103	512,704
Restricted investments	-	257,684	257,684	255,278
Accounts receivable	434,340	257,340	691,680	582,723
Taxes receivable	72,566	-	72,566	87,416
Internal activity	58,067	(58,067)	-	-
Prepaid expenses	10,792	6,933	17,725	32,336
Total Current Assets	<u>6,835,796</u>	<u>2,301,710</u>	<u>9,137,506</u>	<u>14,758,050</u>
Noncurrent Assets:				
Land	400,000	-	400,000	400,000
Construction-in-progress	246,740	-	246,740	3,738,136
Depreciable capital assets, net	6,648,132	24,644,911	31,293,043	16,720,783
Total Noncurrent Assets	<u>7,294,872</u>	<u>24,644,911</u>	<u>31,939,783</u>	<u>20,858,919</u>
<b>TOTAL ASSETS</b>	<b><u>14,130,668</u></b>	<b><u>26,946,621</u></b>	<b><u>41,077,289</u></b>	<b><u>35,616,969</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pensions	<u>306,985</u>	<u>-</u>	<u>306,985</u>	<u>430,901</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>306,985</u></b>	<b><u>-</u></b>	<b><u>306,985</u></b>	<b><u>430,901</u></b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 14,437,653</u></b>	<b><u>\$ 26,946,621</u></b>	<b><u>\$ 41,384,274</u></b>	<b><u>\$ 36,047,870</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 128,398	\$ 237,069	\$ 365,467	\$ 748,281
Accrued payroll and withholdings	108,527	-	108,527	91,990
Accrued expenses	90,530	-	90,530	189,001
Unearned revenues	228,839	-	228,839	201,536
Interest payable	-	16,214	16,214	16,497
Current portion of notes payable	29,892	-	29,892	42,288
Current portion of bonds payable, net	-	175,114	175,114	175,113
Total Current Liabilities	<u>586,186</u>	<u>428,397</u>	<u>1,014,583</u>	<u>1,464,706</u>
Noncurrent Liabilities:				
Notes payable	436,292	-	436,292	666,901
Bonds payable, net	-	5,557,388	5,557,388	5,732,503
Net pension liability	734,574	-	734,574	750,063
Total Noncurrent Liabilities	<u>1,170,866</u>	<u>5,557,388</u>	<u>6,728,254</u>	<u>7,149,467</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,757,052</u></b>	<b><u>5,985,785</u></b>	<b><u>7,742,837</u></b>	<b><u>8,614,173</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pensions	<u>63,854</u>	<u>-</u>	<u>63,854</u>	<u>70,096</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>63,854</u></b>	<b><u>-</u></b>	<b><u>63,854</u></b>	<b><u>70,096</u></b>
<b>NET POSITION</b>				
Net investment in capital assets	6,828,688	19,125,899	25,954,587	14,242,114
Restricted:				
Capital projects	1,287,402	392,259	1,679,661	2,132,914
Highways and streets	684,564	-	684,564	772,648
Solid waste	714,761	-	714,761	489,483
Water resource protection	95,462	-	95,462	240,429
Unrestricted	3,005,870	1,442,678	4,448,548	9,486,013
<b>TOTAL NET POSITION</b>	<b><u>12,616,747</u></b>	<b><u>20,960,836</u></b>	<b><u>33,577,583</u></b>	<b><u>27,363,601</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 14,437,653</u></b>	<b><u>\$ 26,946,621</u></b>	<b><u>\$ 41,384,274</u></b>	<b><u>\$ 36,047,870</u></b>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Expenses							2016
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 391,339	\$ 211,046	\$ 199,826	\$ (606,469)	\$ (606,469)	\$ (1,246,788)	
Public safety	294,653	481,510	145,354	(2,320,279)	(2,320,279)	(1,973,479)	
Public works - highways and streets	-	984,808	1,808	(1,255,833)	(1,255,833)	(1,227,938)	
Public works - sanitation	984,808	-	-	311,581	311,581	282,593	
Culture and recreation	126,750	-	-	(289,195)	(289,195)	(280,972)	
Health and welfare	40,242	-	-	(40,242)	(40,242)	(51,018)	
Interest expense	13,771	-	-	(13,771)	(13,771)	(21,755)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>7,051,302</u></b>	<b><u>1,797,550</u></b>	<b><u>1,039,544</u></b>	<b><u>(4,214,208)</u></b>	<b><u>(4,214,208)</u></b>	<b><u>(4,519,357)</u></b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Sewer operations	2,561,636	3,106,309	-	4,559,845	-	5,104,518	5,104,518
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>2,561,636</u></b>	<b><u>3,106,309</u></b>	<b><u>-</u></b>	<b><u>4,559,845</u></b>	<b><u>-</u></b>	<b><u>5,104,518</u></b>	<b><u>5,104,518</u></b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ 9,612,938</u></b>	<b><u>\$ 11,039,544</u></b>	<b><u>\$ 4,559,845</u></b>	<b><u>(4,214,208)</u></b>	<b><u>5,104,518</u></b>	<b><u>890,310</u></b>	<b><u>(5,453,169)</u></b>
<b>GENERAL REVENUES</b>							
Taxes:							
Real estate taxes		1,014,261		-	1,014,261	971,219	
Real estate transfer taxes		513,032		-	513,032	475,726	
Earned income taxes		3,354,291		-	3,354,291	3,159,131	
Franchise fees		254,069		-	254,069	246,377	
Interest and rental income		45,855		13,523	59,378	48,695	
Other revenues		125,671		-	125,671	122,814	
Gain on disposal of capital assets		2,970		-	2,970	26,188	
<b>TOTAL GENERAL REVENUES</b>	<b><u>5,310,149</u></b>			<b><u>13,523</u></b>	<b><u>5,323,672</u></b>	<b><u>5,050,150</u></b>	
<b>CHANGE IN NET POSITION</b>							
NET POSITION, BEGINNING OF YEAR		1,095,941		5,118,041	6,213,982	(403,019)	
<b>NET POSITION, END OF YEAR</b>	<b><u>\$11,520,806</u></b>			<b><u>15,842,795</u></b>	<b><u>27,363,601</u></b>	<b><u>27,766,620</u></b>	
	<b><u>\$12,616,747</u></b>			<b><u>\$20,960,836</u></b>	<b><u>\$33,577,583</u></b>	<b><u>\$27,363,601</u></b>	

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

**UPPER UWCHLAN TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	General Fund	Capital Projects Fund	Solid Waste Fund	Other Nonmajor Governmental Funds	2016	Totals	2015
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,102,102	\$ 1,397,977	\$ 695,045	\$ 805,968	\$ 6,001,092	\$ 5,981,569	
Investments	258,939	-	-	-	258,939	256,240	
Accounts receivable	249,009	-	185,331	-	434,340	381,526	
Taxes receivable	72,566	-	-	-	72,566	87,416	
Due from other funds	79,388	-	13,492	-	92,880	33,237	
Prepaid expenditures	10,792	-	-	-	10,792	25,441	
<b>TOTAL ASSETS</b>	<b>\$ 3,772,796</b>	<b>\$ 1,397,977</b>	<b>\$ 893,868</b>	<b>\$ 805,968</b>	<b>\$ 6,870,609</b>	<b>\$ 6,765,429</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 104,435	\$ -	\$ -	\$ 23,963	\$ 128,398	\$ 84,380	
Accrued payroll and withholdings	108,527	-	78,110	-	108,527	91,990	
Accrued expenses	-	32,465	276	1,979	90,530	189,001	
Due to other funds	93	62,428	-	-	34,813	673	
Unearned revenues - engineering fees	-	-	166,411	-	62,428	49,485	
Unearned revenues - solid waste collection fees	-	-	-	-	166,411	152,051	
<b>TOTAL LIABILITIES</b>	<b>275,483</b>	<b>110,575</b>	<b>179,107</b>	<b>25,942</b>	<b>591,107</b>	<b>567,580</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues - real estate taxes	2,054	-	-	-	-	2,054	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,054</b>	<b>11,717</b>
<b>FUND BALANCES:</b>							
Nonspendable	10,792	-	-	-	-	10,792	25,441
Restricted	-	1,287,402	-	-	-	-	
Capital projects	-	-	714,761	684,564	1,287,402	1,861,462	
Highways and streets	-	-	-	-	684,564	772,648	
Solid waste	-	-	-	95,462	714,761	489,483	
Water resource protection	-	-	-	-	95,462	240,429	
Unassigned	3,484,467	-	-	-	3,484,467	2,796,669	
<b>TOTAL FUND BALANCES</b>	<b>3,495,239</b>	<b>1,287,402</b>	<b>714,761</b>	<b>780,026</b>	<b>6,277,448</b>	<b>6,186,132</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,772,796</b>	<b>\$ 1,397,977</b>	<b>\$ 893,868</b>	<b>\$ 805,968</b>	<b>\$ 6,870,609</b>	<b>\$ 6,765,429</b>	

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

**UPPER UWCHLAN TOWNSHIP  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**TOTAL GOVERNMENTAL FUND BALANCES** \$ 6,277,448

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. 7,294,872

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 2,054

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	306,985
Deferred inflows of resources - pensions	(63,854)

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	(466,184)
Net pension liability	<u>(734,574)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 12,616,747

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Governmental Funds	2016	Totals	2015
<b>REVENUES</b>							
Taxes	\$ 4,891,244	\$ -	\$ -	\$ -	\$ 4,891,244	\$ 4,602,294	
Licenses and permits	275,039	-	-	-	275,039	493,973	
Fines, forfeits, and costs	50,897	-	-	-	-	50,897	58,720
Interest, dividends, and rents	38,222	4,334	2,410	889	-	45,855	35,223
Intergovernmental revenues	341,428	-	145,354	377,512	864,294	766,923	
Charges for services/fees	740,875	-	984,808	175,251	1,900,934	1,506,190	
Miscellaneous revenue/other	21,723	103,950	-	-	125,673	-	
<b>TOTAL REVENUES</b>	<b>6,359,428</b>	<b>108,284</b>	<b>1,132,572</b>	<b>553,652</b>	<b>8,153,936</b>	<b>7,463,323</b>	
<b>EXPENDITURES</b>							
Current:							
General government	1,204,145	35,810	1,096	-	-	1,241,051	
Public safety	2,757,958	65,362	-	-	-	2,823,320	
Health and welfare	15,340	24,902	-	-	-	40,242	
Public works - highways and streets	1,064,466	64,807	-	-	-	1,056,703	
Public works - sanitation	-	-	806,198	-	-	806,198	
Culture and recreation	244,370	467,657	-	-	-	712,027	
Debt service:							
Principal	-	243,005	-	-	-	243,005	
Interest	-	13,771	-	-	-	13,771	
<b>TOTAL EXPENDITURES</b>	<b>5,286,279</b>	<b>915,314</b>	<b>807,294</b>	<b>1,056,703</b>	<b>8,065,590</b>	<b>8,122,875</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,073,149</b>	<b>(807,030)</b>	<b>325,278</b>	<b>(503,051)</b>	<b>88,346</b>	<b>(659,552)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general capital asset disposition	-	2,970	-	-	-	2,970	
Refunds of prior year expenditures	-	-	-	-	-	-	
Transfers in	-	500,000	(100,000)	-	270,000	770,000	
Transfers out	(400,000)	(270,000)	(100,000)	-	(770,000)	2,984,176	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(400,000)</b>	<b>(232,970)</b>	<b>(100,000)</b>	<b>270,000</b>	<b>(770,000)</b>	<b>(2,984,176)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>673,149</b>	<b>(574,060)</b>	<b>225,278</b>	<b>(233,051)</b>	<b>91,316</b>	<b>(616,073)</b>	
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,822,110</b>	<b>1,861,462</b>	<b>489,483</b>	<b>1,013,077</b>	<b>6,186,132</b>	<b>6,802,205</b>	
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 3,495,259</b>	<b>\$ 1,287,402</b>	<b>\$ 714,761</b>	<b>\$ 780,026</b>	<b>\$ 6,277,448</b>	<b>\$ 6,186,132</b>	

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

**UPPER UWCHLAN TOWNSHIP**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	91,316
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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 (\$1,169,297) exceeded depreciation (\$295,829) in the current period.

873,468

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	(9,663)
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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.

243,005

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.

(102,185)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,095,941</u>
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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, 2016**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Real estate	\$ 1,040,000	\$ 1,023,921	\$ (16,079)
Real estate - transfer	350,000	513,032	163,032
Earned income tax	3,555,972	3,354,291	(201,681)
Licenses and permits	264,100	275,039	10,939
Fines, forfeits, and costs	63,500	50,897	(12,603)
Interest, dividends, and rents	39,000	38,222	(778)
Intergovernmental revenues	260,208	341,428	81,220
Charges for services/fees	537,296	740,875	203,579
Miscellaneous revenue	8,000	21,723	13,723
<b>TOTAL REVENUES</b>	<b>6,118,076</b>	<b>6,359,428</b>	<b>241,352</b>
<b>EXPENDITURES</b>			
Current:			
General government			
General operations	61,762	51,801	9,961
Administration	585,512	575,117	10,395
Audit services	24,950	24,200	750
Tax collection	28,707	29,006	(299)
Legal services	45,000	51,574	(6,574)
IT and data processing	61,000	85,388	(24,388)
Engineering	138,500	283,945	(145,445)
Building and grounds	124,632	103,114	21,518
Total General Government	<u>1,070,063</u>	<u>1,204,145</u>	<u>(134,082)</u>
Public safety			
Police	2,012,066	1,973,328	38,738
Fire protection	373,196	353,481	19,715
Ambulance	27,038	27,038	-
Code enforcement	367,367	369,413	(2,046)
Planning and zoning	69,300	32,383	36,917
Emergency management	7,000	2,315	4,685
Total Public Safety	<u>2,855,967</u>	<u>2,757,958</u>	<u>98,009</u>
Health and welfare	<u>17,040</u>	<u>15,340</u>	<u>1,700</u>

Continued on next page.

**UPPER UWCHLAN TOWNSHIP**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original and Final Appropriated Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (cont'd)</b>			
Current:			
Public works			
Highway general services	725,694	732,527	(6,833)
Facilities maintenance	110,124	73,661	36,463
Signs, signals, and street lights	18,700	13,612	5,088
Highway maintenance and repair	206,067	244,666	(38,599)
Total Public Works	<u>1,060,585</u>	<u>1,064,466</u>	<u>(3,881)</u>
Culture and parks			
Parks	341,966	239,370	102,596
Library	5,000	5,000	-
Historical commissions	4,500	-	4,500
Total Culture and Parks	<u>351,466</u>	<u>244,370</u>	<u>107,096</u>
<b>TOTAL EXPENDITURES</b>	<b><u>5,355,121</u></b>	<b><u>5,286,279</u></b>	<b><u>68,842</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>762,955</u></b>	<b><u>1,073,149</u></b>	<b><u>310,194</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers out	(400,000)	(400,000)	-
<b>TOTAL OTHER FINANCING USES</b>	<b><u>(400,000)</u></b>	<b><u>(400,000)</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ 362,955</u></b>	<b><u>673,149</u></b>	<b><u>\$ 310,194</u></b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b><u>2,822,110</u></b>	
<b>FUND BALANCE, END OF YEAR</b>		<b><u>\$ 3,495,259</u></b>	

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	Enterprise Funds		Totals					
	Sewer Fund	Sewer Authority	2016	2015				
<b>ASSETS</b>								
Current Assets:								
Cash and cash equivalents	\$ -	\$ 957,270	\$ 957,270	\$ 3,324,446				
Cash - restricted	486,811	134,575	621,386	3,981,578				
Investments	-	259,164	259,164	256,464				
Investments - restricted	-	257,684	257,684	255,278				
Accounts receivable	-	257,340	257,340	201,197				
Due from other funds	-	-	-	41,923				
Prepaid expenses	-	6,933	6,933	6,895				
Total Current Assets	<u>486,811</u>	<u>1,872,966</u>	<u>2,359,777</u>	<u>8,067,781</u>				
Noncurrent Assets:								
Construction-in-progress	-	-	-	3,443,116				
Equipment	-	78,050	78,050	78,050				
Infrastructure and improvements	26,102,105	1,185,821	27,287,926	13,239,497				
Less: Accumulated depreciation	(2,462,170)	(258,895)	(2,721,065)	(2,323,148)				
Total Noncurrent Assets	<u>23,639,935</u>	<u>1,004,976</u>	<u>24,644,911</u>	<u>14,437,515</u>				
<b>TOTAL ASSETS</b>	<b><u>\$ 24,126,746</u></b>	<b><u>\$ 2,877,942</u></b>	<b><u>\$ 27,004,688</u></b>	<b><u>\$ 22,505,296</u></b>				
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts payable	\$ -	\$ 237,069	\$ 237,069	\$ 663,901				
Due to other funds	-	58,067	58,067	74,487				
Accrued interest	16,214	-	16,214	16,497				
Bonds payable, net	175,114	-	175,114	175,113				
Total Current Liabilities	<u>191,328</u>	<u>295,136</u>	<u>486,464</u>	<u>929,998</u>				
Noncurrent Liabilities:								
Bonds payable, net	5,557,388	-	5,557,388	5,732,503				
Total Noncurrent Liabilities	<u>5,557,388</u>	<u>-</u>	<u>5,557,388</u>	<u>5,732,503</u>				
<b>Total Liabilities</b>	<b><u>5,748,716</u></b>	<b><u>295,136</u></b>	<b><u>6,043,852</u></b>	<b><u>6,662,501</u></b>				
<b>NET POSITION</b>								
Net investment in capital assets	18,120,923	1,004,976	19,125,899	8,529,899				
Restricted - capital projects	-	392,259	392,259	271,452				
Unrestricted	257,107	1,185,571	1,442,678	7,041,444				
Total Net Position	<u>18,378,030</u>	<u>2,582,806</u>	<u>20,960,836</u>	<u>15,842,795</u>				
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 24,126,746</u></b>	<b><u>\$ 2,877,942</u></b>	<b><u>\$ 27,004,688</u></b>	<b><u>\$ 22,505,296</u></b>				

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, 2016**  
**(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2016	2015
<b>OPERATING REVENUES</b>				
Charges for services	\$ 367,963	\$ 2,738,346	\$ 3,106,309	\$ 2,100,461
<b>TOTAL OPERATING REVENUES</b>	<u>367,963</u>	<u>2,738,346</u>	<u>3,106,309</u>	<u>2,100,461</u>
<b>OPERATING EXPENSES</b>				
Administrator	-	105,693	105,693	126,034
Administration	-	180,080	180,080	124,021
Advertising	-	-	-	1,341
Chemicals	-	8,362	8,362	4,811
Contracted services	-	256,371	256,371	114,512
Depreciation	363,123	34,794	397,917	268,306
Dues and memberships	-	2,110	2,110	-
Engineering services	-	168,122	168,122	323,590
Insurance	-	8,452	8,452	14,663
Lawn maintenance	-	8,337	8,337	2,070
Lease rental expense	-	367,963	367,963	364,613
Pumping and sludge hauling	-	398,819	398,819	27,374
Professional fees	-	17,876	17,876	43,702
Repairs and maintenance	-	105,290	105,290	82,031
Supplies	-	22,481	22,481	9,724
Testing	-	38,148	38,148	40,549
Vegetation management	-	8,362	8,362	19,734
Permits	-	2,704	2,704	2,963
Utilities	-	254,571	254,571	235,137
Utility billing costs	-	10,697	10,697	5,746
Miscellaneous	869	5,847	6,716	6,834
<b>TOTAL OPERATING EXPENSES</b>	<u>363,992</u>	<u>2,005,079</u>	<u>2,369,071</u>	<u>1,817,755</u>
<b>OPERATING INCOME</b>	<u>3,971</u>	<u>733,267</u>	<u>737,238</u>	<u>282,706</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	3,050	10,473	13,523	13,472
Interest expense	(192,565)	-	(192,565)	(194,361)
Loss on disposal of capital assets	-	-	-	(1,022,157)
Transfers in (out)	(1,073,959)	1,073,959	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(1,263,474)</u>	<u>1,084,432</u>	<u>(179,042)</u>	<u>(1,203,046)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(1,259,503)</u>	<u>1,817,699</u>	<u>558,196</u>	<u>(920,340)</u>
<b>CAPITAL CONTRIBUTIONS</b>				
Capital contribution from Municipal Authority to Township	6,827,278	(6,827,278)	-	-
Capital contribution from private sector	4,559,845	-	4,559,845	-
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<u>11,387,123</u>	<u>(6,827,278)</u>	<u>4,559,845</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>10,127,620</u>	<u>(5,009,579)</u>	<u>5,118,041</u>	<u>(920,340)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>8,250,410</u>	<u>7,592,385</u>	<u>15,842,795</u>	<u>16,763,135</u>
<b>NET POSITION, END OF YEAR</b>	<u><b>\$ 18,378,030</b></u>	<u><b>\$ 2,582,806</b></u>	<u><b>\$ 20,960,836</b></u>	<u><b>\$ 15,842,795</b></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, 2016**  
**(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	Enterprise Funds		Totals	
	Sewer Fund	Sewer Authority	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 367,963	\$ 2,682,203	\$ 3,050,166	\$ 2,181,768
Payments to suppliers for goods and services	(869)	(2,413,575)	(2,414,444)	(964,806)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>367,094</b>	<b>268,628</b>	<b>635,722</b>	<b>1,216,962</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(2,448,739)	(3,596,729)	(6,045,468)	(3,443,116)
Interest paid	(197,962)	-	(197,962)	(199,612)
Bond principal payments	(170,000)	-	(170,000)	(165,000)
Transfer (to) from other funds	(1,032,036)	1,073,959	41,923	-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,848,737)</b>	<b>(2,522,770)</b>	<b>(6,371,507)</b>	<b>(3,807,728)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	3,050	10,473	13,523	13,984
Purchase of investments	-	(5,106)	(5,106)	(5,303)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>3,050</b>	<b>5,367</b>	<b>8,417</b>	<b>8,681</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,478,593)</b>	<b>(2,248,775)</b>	<b>(5,727,368)</b>	<b>(2,582,085)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,965,404</b>	<b>3,340,620</b>	<b>7,306,024</b>	<b>9,888,109</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 486,811</b>	<b>\$ 1,091,845</b>	<b>\$ 1,578,656</b>	<b>\$ 7,306,024</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 3,971	\$ 733,267	\$ 737,238	\$ 282,706
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	363,123	34,794	397,917	268,306
(Increase) Decrease in assets:				
Accounts receivable	-	(56,143)	(56,143)	81,307
Due from other funds	-	-	-	(41,923)
Prepaid expenses	-	(38)	(38)	(3,442)
Increase (Decrease) in liabilities:				
Accounts payable and accrued expenses	-	(426,832)	(426,832)	587,146
Due to other funds	-	(16,420)	(16,420)	42,862
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 367,094</b>	<b>\$ 268,628</b>	<b>\$ 635,722</b>	<b>\$ 1,216,962</b>
<b>CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	\$ -	\$ 957,270	\$ 957,270	\$ 3,324,446
Cash - restricted	486,811	134,575	621,386	3,981,578
	<b>\$ 486,811</b>	<b>\$ 1,091,845</b>	<b>\$ 1,578,656</b>	<b>\$ 7,306,024</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contribution from Municipal Authority to Township	\$ 6,827,278	\$ (6,827,278)	\$ -	\$ -
Capital contribution from private sector	4,559,845	-	4,559,845	-
<b>TOTAL NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$11,387,123</b>	<b>\$ (6,827,278)</b>	<b>\$ 4,559,845</b>	<b>\$ -</b>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**  
**(With Comparative Data for December 31, 2015)**

	Agency Fund		Trust Funds	
	Escrow Fund		Trust Funds	
	2016	2015	2016	2015
<b>ASSETS</b>				
Cash and cash equivalents	\$ 45,049	\$ 34,608	\$ 227,722	\$ 173,473
Member contributions receivable	-	-	3,811	3,132
Other receivables	10,138	7,489	-	-
Prepaid expenses	-	-	10,621	6,812
Investments, at fair value:				
Exchange traded funds	-	-	5,123,975	4,582,348
<b>TOTAL ASSETS</b>	<b><u>\$ 55,187</u></b>	<b><u>\$ 42,097</u></b>	<b><u>\$ 5,366,129</u></b>	<b><u>\$ 4,765,765</u></b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due to others	\$ 55,187	\$ 42,097	\$ -	\$ -
<b>NET POSITION</b>				
Restricted for pension benefits	-	-	5,366,129	4,765,765
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 55,187</u></b>	<b><u>\$ 42,097</u></b>	<b><u>\$ 5,366,129</u></b>	<b><u>\$ 4,765,765</u></b>

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

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With Comparative Data for the Year Ended December 31, 2015)**

	Trust Funds	
	2016	2015
<b>ADDITIONS</b>		
Contributions:		
State aid	\$ 157,487	\$ 137,229
Employer contribution	71,535	105,066
Employee contribution	94,934	81,016
Total Contributions	<u>323,956</u>	<u>323,311</u>
Investment income:		
Net realized/unrealized gain (loss) on investments	307,325	(147,891)
Interest and dividends	95,354	84,016
Net Investment Income (Loss)	<u>402,679</u>	<u>(63,875)</u>
<b>TOTAL ADDITIONS</b>	<u>726,635</u>	<u>259,436</u>
<b>DEDUCTIONS</b>		
Benefits paid	100,456	68,974
Refund of member contributions	6,413	-
Administrative expenses	<u>19,402</u>	<u>22,200</u>
<b>TOTAL DEDUCTIONS</b>	<u>126,271</u>	<u>91,174</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	<b>600,364</b>	<b>168,262</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b><u>4,765,765</u></b>	<b><u>4,597,503</u></b>
<b>NET POSITION, END OF YEAR</b>	<b><u>\$ 5,366,129</u></b>	<b><u>\$ 4,765,765</u></b>

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 Township Sewer Fund records both the capital infrastructure used to provide services to the public, and the long-term debt related to the acquisition and construction of this infrastructure. 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 30, 2017 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.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

***Fund Financial Statements***

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

The Township reports the following major governmental funds:

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

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

- The **Solid Waste Fund** accounts for the resources accumulated for contracted solid waste collection services.

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 **Water Resource Protection 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

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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.

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

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Long-term Obligations

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

Fund Balances

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

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

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

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Township Supervisors. The Board is the highest level of decision-making authority for 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.

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

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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, 2015, 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 of America, 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, 2016, the carrying amount of the Township's deposits was \$7,624,797, and the bank balance was \$7,773,123. Of the bank balance, \$771,906 was covered by federal depository insurance, and \$4,759,009 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 \$2,242,208 was held in the Pennsylvania School District Liquid Asset Fund ("PSDLAF").

Although not registered with the Securities Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Cash and cash equivalents held by the pension funds are disclosed in the plans' separate audited financial statements as discussed in Notes 10 and 11, and are excluded from the balances above.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

*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, 2016:

Investment Type	Fair Value	Level 2	Matures in Less Than One Year
Certificates of deposit	\$ 775,787	\$ 775,787	\$ 775,787
<b>TOTAL</b>	<b>\$ 775,787</b>	<b>\$ 775,787</b>	<b>\$ 775,787</b>

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, 2016, 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, 2016, all of the Township's investments had maturity dates of less than one year.

Credit Risk

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

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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, 2016 is as follows:

<u>Receivable To:</u>	<u>Payable From:</u>	<u>Amount</u>
General Fund	Act 209 Fund	\$ 1,979
General Fund	Capital Projects Fund	\$ 32,465
General Fund	Solid Waste Fund	\$ 276
General Fund	Sewer Authority	\$ 44,668
Solid Waste Fund	General Fund	\$ 93
Solid Waste Fund	Sewer Authority	\$ 13,399

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	\$ 400,000	Capital Projects Fund	\$ 400,000
Solid Waste Fund	100,000	Capital Projects Fund	100,000
Capital Projects Fund	270,000	Act 209 Fund	270,000
Sewer Fund	<u>1,073,959</u>	Sewer Authority	<u>1,073,959</u>
Total	<u>\$ 1,843,959</u>	Total	<u>\$ 1,843,959</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. Capital Projects Fund transfers were made to the Act 209 Fund to fund improvements made to the Township's street infrastructure. 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 resulted from revenue received but not yet earned. Unearned revenues as of December 31, 2016 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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
General capital assets not being depreciated:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction-in-progress	295,020	159,074	207,354	246,740
Total general capital assets not being depreciated	<u>695,020</u>	<u>159,074</u>	<u>207,354</u>	<u>646,740</u>
General capital assets being depreciated:				
Land improvements	1,053,074	327,932	-	1,381,006
Infrastructure	2,842,341	700,704	-	3,543,045
Buildings and improvements	1,451,791	26,562	-	1,478,353
Machinery and equipment	1,970,742	162,379	21,330	2,111,791
Total general capital assets being depreciated	<u>7,317,948</u>	<u>1,217,577</u>	<u>21,330</u>	<u>8,514,195</u>
Accumulated depreciation:				
Land improvements	224,282	60,670	-	284,952
Infrastructure	505,180	36,219	-	541,399
Buildings and improvements	156,588	42,637	-	199,225
Machinery and equipment	705,514	156,303	21,330	840,487
Total accumulated depreciation	<u>1,591,564</u>	<u>295,829</u>	<u>21,330</u>	<u>1,866,063</u>
Total general capital assets being depreciated, net	<u>5,726,384</u>	<u>921,748</u>	<u>-</u>	<u>6,648,132</u>
Governmental Activities, Net	<u><u>\$ 6,421,404</u></u>	<u><u>\$ 1,080,822</u></u>	<u><u>\$ 207,354</u></u>	<u><u>\$ 7,294,872</u></u>

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Construction-in-progress	<u>\$ 3,443,116</u>	<u>\$ 3,209,076</u>	<u>\$ 6,652,192</u>	<u>\$ -</u>
Capital assets being depreciated:				
Sewer system - infrastructure	13,239,497	14,048,429	-	27,287,926
Equipment	78,050	-	-	78,050
Total capital assets being depreciated	<u>13,317,547</u>	<u>14,048,429</u>	<u>-</u>	<u>27,365,976</u>
Accumulated depreciation:				
Sewer system - infrastructure	2,295,831	390,111	-	2,685,942
Equipment	27,317	7,806	-	35,123
Total accumulated depreciation	<u>2,323,148</u>	<u>397,917</u>	<u>-</u>	<u>2,721,065</u>
Total capital assets being depreciated, net	<u>10,994,399</u>	<u>13,650,512</u>	<u>-</u>	<u>24,644,911</u>
Business-type Activities, Net	<u><u>\$14,437,515</u></u>	<u><u>\$16,859,588</u></u>	<u><u>\$ 6,652,192</u></u>	<u><u>\$24,644,911</u></u>

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

Governmental Activities:

General government	\$ 23,619
Public safety	40,080
Public works - highways and streets	158,862
Public works - sanitation	1,779
Culture and recreation	<u>71,489</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 295,829</u></u>

Business-type Activities:

Sewer operations	<u><u>\$ 397,917</u></u>
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NOTE 6 LONG-TERM DEBT

Governmental Activities:

BB&T Bank - General Obligation Note with interest at a variable rate set at 60% of the prime rate, payable monthly. Maturity date is June 21, 2030.	<u><u>\$ 466,184</u></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.

\$ 5,620,000

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>
2017	\$ 29,892	\$ 10,182	\$ 40,074
2018	30,571	9,503	40,074
2019	31,266	8,808	40,074
2020	31,977	8,097	40,074
2021	32,704	7,370	40,074
2022-2026	175,017	25,353	200,370
2027-2030	134,757	5,503	140,260
	<u>\$ 466,184</u>	<u>\$ 74,816</u>	<u>\$ 541,000</u>

Business-type Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2017	\$ 170,000	\$ 194,562	\$ 364,562
2018	175,000	189,462	364,562
2019	185,000	184,212	369,212
2020	190,000	176,812	366,812
2021	195,000	173,012	368,012
2022-2026	1,030,000	799,362	1,829,362
2027-2031	1,205,000	639,388	1,844,388
2032-2036	1,455,000	382,000	1,837,000
2037-2039	1,015,000	152,200	1,167,200
	<u>\$ 5,620,000</u>	<u>\$ 2,891,010</u>	<u>\$ 8,511,010</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
<b>Governmental Activities:</b>					
General obligation notes	\$ 709,189	\$ -	\$ 243,005	\$ 466,184	\$ 29,892
Total Governmental Activities	<u>\$ 709,189</u>	<u>\$ -</u>	<u>\$ 243,005</u>	<u>\$ 466,184</u>	<u>\$ 29,892</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 5,790,000	\$ -	\$ 170,000	\$ 5,620,000	\$ 170,000
Bond premium	117,616	-	5,114	112,502	5,114
Total Business-type Activities	<u>\$ 5,907,616</u>	<u>\$ -</u>	<u>\$ 175,114</u>	<u>\$ 5,732,502</u>	<u>\$ 175,114</u>

For the year ended December 31, 2016, interest expense in the amount of \$13,771 was recorded as a direct expense of the Capital Fund, and interest expense in the amount of \$192,565 was recorded as a direct expense of the Sewer Fund.

**NOTE 7 TAXES**

For the year ended December 31, 2016, the Township levied the following taxes on assessed value of real estate:

- 0.784 mills for general purposes
- 0.250 mills for ambulance and rescue
- 0.087 mills for fire hydrants

The taxable assessed valuation of property as of December 31, 2016 was \$947,861,978.

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 2016:

- 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, 2016, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable	\$ 10,792	\$ -	\$ -	\$ -	\$ 10,792
Restricted:					
Capital projects	-	1,287,402	-	-	1,287,402
Highways and streets	-	-	-	684,564	684,564
Solid waste	-	-	714,761	-	714,761
Water resource protection	-	-	-	95,462	95,462
Unassigned	<u>3,484,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,484,467</u>
Total Fund Balances	<u>\$3,495,259</u>	<u>\$1,287,402</u>	<u>\$ 714,761</u>	<u>\$ 780,026</u>	<u>\$ 6,277,448</u>

NOTE 9 DEFINED BENEFIT PENSION PLANS

The Township 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 Township contributes to both plans.

The Township 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.

**STATEMENT OF NET POSITION - PENSION TRUST FUNDS**  
**December 31, 2016**

	Police	Non-Uniformed	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 126,409	\$ 101,313	\$ 227,722
Member contributions receivable	2,162	1,649	3,811
Prepaid expense	7,402	3,219	10,621
Investments at fair value:			
Exchange traded funds	<u>3,657,247</u>	<u>1,466,728</u>	<u>5,123,975</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,793,220</u></b>	<b><u>\$ 1,572,909</u></b>	<b><u>\$ 5,366,129</u></b>

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLANS (cont'd)

**STATEMENT OF NET POSITION - PENSION TRUST FUNDS**  
**December 31, 2016**

	<u>Police</u>	<u>Non-Uniformed</u>	<u>Totals</u>
LIABILITIES AND NET POSITION			
LIABILITIES	\$ -	\$ -	\$ -
NET POSITION:			
Net position restricted for pensions	<u>3,793,220</u>	<u>1,572,909</u>	<u>5,366,129</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,793,220</b>	<b>\$ 1,572,909</b>	<b>\$ 5,366,129</b>

**STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS**  
**For the Year Ended December 31, 2016**

	<u>Police</u>	<u>Non-Uniformed</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
State aid	\$ 96,242	\$ 61,245	\$ 157,487
Employer contribution	57,717	13,818	71,535
Employee contribution	46,580	48,354	94,934
Total Contributions	<u>200,539</u>	<u>123,417</u>	<u>323,956</u>
Investment Income:			
Interest and dividends	67,923	27,431	95,354
Net realized/unrealized gain on investments	218,558	88,767	307,325
Net Investment Gain	<u>286,481</u>	<u>116,198</u>	<u>402,679</u>
<b>TOTAL ADDITIONS</b>	<b><u>487,020</u></b>	<b><u>239,615</u></b>	<b><u>726,635</u></b>
DEDUCTIONS			
Benefits paid	90,798	9,658	100,456
Refund of member contributions	-	6,413	6,413
Administrative expenses	8,850	10,552	19,402
<b>TOTAL DEDUCTIONS</b>	<b><u>99,648</u></b>	<b><u>26,623</u></b>	<b><u>126,271</u></b>
<b>NET INCREASE IN NET POSITION</b>	<b>387,372</b>	<b>212,992</b>	<b>600,364</b>
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>3,405,848</u>	<u>1,359,917</u>	<u>4,765,765</u>
End of year	<b><u>\$ 3,793,220</u></b>	<b><u>\$ 1,572,909</u></b>	<b><u>\$ 5,366,129</u></b>

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 2016, employees contributed four 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, 2016, the carrying amount of the Police Pension Plan's deposits was \$126,409, 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities (including equity ETFs)	75%	5.78%
Fixed income (including fixed income ETFs)	22%	1.35%
Cash	3%	-0.31%
Total Net Blended Return		4.22%*

\* - 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, 2016, the Township Police Pension Plan had the following investments:

Investment Type	Fair Value
Exchange-traded funds:	
Intermediate-term bond ETFs	\$ 707,555
International bond ETFs	79,589
International market equity ETFs	825,591
Domestic stock ETFs:	
Small-cap	252,890
Mid-cap	241,015
Large-cap	1,550,607
Total Investments	<u>\$ 3,657,247</u>

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

Certain investments in external investment pools, such as those in equity 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. Investments in bond exchange-traded funds are also not subject to interest rate, custodial, or concentration risks but are subject to credit risk.

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, 2016:

	<u>Total</u>	<u>Level 1</u>
Exchange-traded funds	<u>\$ 3,657,247</u>	<u>\$ 3,657,247</u>
	<u><u>\$ 3,657,247</u></u>	<u><u>\$ 3,657,247</u></u>

Level 1 investments are valued based on unadjusted, quoted prices for identical assets in an active market.

Credit Risk

As of December 31, 2016, \$787,144 of the pension's deposits was invested in Intermediate-term Bond ETFs and International 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, 2016, the plan's invested balances had the following ratings:

Fund Name	Balance	Morningstar Investors Service Rating
Vanguard Total Bond Market ETF	\$ 472,137	AA
Vanguard International Bond Index ETF	79,589	A
Vanguard Intermediate Term Corporate Bond ETF	<u>235,418</u>	BBB
<b>TOTAL</b>	<b><u>\$ 787,144</u></b>	

Money-weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.28 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, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2016.

The components of net pension liability at December 31, 2016, were as follows:

Total pension liability	\$ 4,358,103
Plan fiduciary net position	<u>(3,793,220)</u>

Net pension liability	<u>\$ 564,883</u>
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Plan fiduciary net position as a percentage of the total pension liability	87.0%
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The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 3,989,519	\$ 3,405,848	\$ 583,671
Service cost	152,161	-	152,161
Interest	307,221	-	307,221
Contributions – employer	-	57,717	(57,717)
Contributions – state aid	-	96,242	(96,242)
Contributions – member	-	46,580	(46,580)
Net investment gain	-	286,481	(286,481)
Benefit payments	(90,798)	(90,798)	-
Administrative expenses	-	(8,850)	8,850
Net Changes	<u>368,584</u>	<u>387,372</u>	<u>(18,788)</u>
Balance at December 31, 2016	<u>\$ 4,358,103</u>	<u>\$ 3,793,220</u>	<u>\$ 564,883</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

## UPPER UWCHLAN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION PLAN (cont'd)

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 Pension 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	\$ 1,206,808	\$ 564,883	\$ 34,877

Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2016, the Township recognized pension expense of \$219,493. At December 31, 2016, 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	\$ -	\$ 61,584
Changes in assumptions	51,769	-
Difference between actual and projected investment returns	153,164	-
<b>Total Deferred Outflows and Inflows</b>	<b>\$ 204,933</b>	<b>\$ 61,584</b>

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

Year Ended December 31,

2017	\$ 52,096
2018	52,096
2019	52,096
2020	(7,020)
2021	(974)
Thereafter	(4,945)
	<b>\$ 143,349</b>

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, 2016 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 2016 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	13
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled but not yet receiving them	2
Total	<u>16</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 2016 were five percent of monthly regular salary, overtime, extra duty, and longevity pay.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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 2016, 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, 2016, the carrying amount of the Non-Uniformed Pension Plan's deposits was \$101,313, 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

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities (including equity ETFs)	75%	5.78%
Fixed income (including fixed income ETFs)	22%	1.35%
Cash	3%	-0.31%
 Total Net Blended Return		4.22%*

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, 2016, the Township Non-Uniformed Pension Plan had the following investments:

Investment Type	Fair Value
Exchange-traded funds:	
Intermediate-term bond ETFs	\$ 286,957
International bond ETFs	32,140
International market equity ETFs	334,531
Domestic stock ETFs:	
Small-cap	99,170
Mid-cap	95,563
Large-cap	618,367
 Total Investments	<u><u>\$ 1,466,728</u></u>

Certain investments in external investment pools, such as those in equity 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. Investments in bond exchange-traded funds are also not subject to interest rate, custodial, or concentration risks but are subject to credit risk.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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, 2016:

	<u>Total</u>	<u>Level 1</u>
Exchange-traded funds	<u>\$ 1,466,728</u>	<u>\$ 1,466,728</u>
	<u>\$ 1,466,728</u>	<u>\$ 1,466,728</u>

Level 1 investments are valued based on unadjusted, quoted prices for identical assets in an active market.

Credit Risk

As of December 31, 2016, \$319,097 of the plan's deposits was invested in Intermediate-term Bond ETFs and International 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, 2016, the plan's invested balances had the following ratings:

Fund Name	Balance	Morningstar Investors Service Rating
Vanguard Total Bond Market ETF	\$ 191,230	AA
Vanguard International Bond Index ETF	32,140	A
Vanguard Intermediate Term Corporate Bond ETF	<u>147,998</u>	BBB
<b>TOTAL</b>	<b><u>\$ 319,097</u></b>	

Money-weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.28 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, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2016.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

The components of net pension liability at December 31, 2016, were as follows:

Total pension liability	\$ 1,742,601
Plan fiduciary net position	<u>(1,572,910)</u>
Net pension liability	<u>\$ 169,691</u>

Plan fiduciary net position as a percentage of the total pension liability	90.3%
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The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 1,526,309	\$ 1,359,917	\$ 166,392
Service cost	110,226	-	110,226
Interest	122,137	-	122,137
Contributions – employer	-	13,818	(13,818)
Contributions – state aid	-	61,245	(61,245)
Contributions – member	-	48,354	(48,354)
Net investment gain	-	116,198	116,198
Benefit payments, including refunds of member contributions	(16,071)	(16,071)	-
Administrative expenses	-	(10,551)	10,551
Net Changes	<u>216,292</u>	<u>212,993</u>	<u>3,299</u>
Balance at December 31, 2016	<u>\$ 1,742,601</u>	<u>\$ 1,572,910</u>	<u>\$ 169,691</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.

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Sensitivity of Net Pension 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	\$ 411,937	\$ 169,691	\$ (32,734)

Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2016, the Township recognized pension expense of \$115,366. At December 31, 2016, 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	\$ -	\$ 2,270
Changes in assumptions	41,318	-
Difference between actual and projected investment returns	60,734	-
<b>Total Deferred Outflows and Inflows</b>	<b>\$ 102,052</b>	<b>\$ 2,270</b>

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

Year Ended December 31,

2017	\$ 23,312
2018	23,312
2019	23,312
2020	(142)
2021	2,265
Thereafter	<u>27,723</u>
	<u><u>\$ 99,782</u></u>

UPPER UWCHLAN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liabilities as of December 31, 2016 were determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward January 1, 2016 liabilities to the plan's fiscal plan year ended December 31, 2016, 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
Assumptions:	
Inflation	2.25 percent
Salary increases	4.50 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.

UPPER UWCHLAN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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 2016, the State made contributions of \$157,487. 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, 2016:

**General Fund:**

General government	\$ 134,082
Public works	\$ 3,881

The excess expenditures in the General Fund were covered by revenues exceeding budgeted amounts and reductions in expenditures in other areas.

NOTE 16 CONSTRUCTION COMMITMENTS

As of December 31, 2016, 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 12/31/2016		Commitments
		\$	\$	
Governmental Activities:				
Side path project	\$ 210,688	\$ 201,591	\$ 9,097	
Eagle Park Village	16,310	16,310	-	
Municipal building renovations	8,325	8,325	-	
	<u>\$ 235,323</u>	<u>\$ 226,226</u>	<u>\$ 9,097</u>	

In addition, the Township has incurred costs totaling \$20,514 for project costs that were not under a formalized contract.

NOTE 17 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through June 22, 2017, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 152,161	\$ 144,915	\$ 159,096
Interest on total pension liability	307,221	280,745	255,099
Differences between expected and actual experience	-	(73,804)	-
Changes of assumptions	-	62,041	-
Benefit payments	<u>(90,798)</u>	<u>(68,974)</u>	<u>(23,645)</u>
Net change in total pension liability	368,584	344,923	390,550
Total pension liability, beginning	3,989,519	3,644,596	3,254,046
Total pension liability, ending (a)	<u>\$ 4,358,103</u>	<u>\$ 3,989,519</u>	<u>\$ 3,644,596</u>
<b>FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 57,717	\$ 88,341	\$ 116,792
Contributions - state aid	96,242	86,258	85,199
Contributions - member	46,580	36,322	32,246
Investment income net of investment expenses	286,481	(44,938)	214,835
Benefit payments	<u>(90,798)</u>	<u>(68,974)</u>	<u>(23,645)</u>
Administrative expenses	<u>(8,850)</u>	<u>(11,200)</u>	<u>(5,513)</u>
Net change in fiduciary net position	387,372	85,809	419,914
Fiduciary net position, beginning	3,405,848	3,320,039	2,900,125
Fiduciary net position, ending (b)	<u>\$ 3,793,220</u>	<u>\$ 3,405,848</u>	<u>\$ 3,320,039</u>
Net pension liability [(a) - (b)]	<u>\$ 564,883</u>	<u>\$ 583,671</u>	<u>\$ 324,557</u>
Plan fiduciary net position as a percentage of the total pension liability	87.0%	85.4%	91.1%
Covered payroll	\$ 1,047,846	\$ 1,086,238	\$ 1,012,230
Net pension liability as a percentage of covered payroll	53.9%	53.7%	32.1%
Annual money-weighted return, net of investment expenses	8.28%	-1.27%	7.33%

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 110,226	\$ 105,479	\$ 93,544
Interest on total pension liability	122,137	106,487	88,658
Differences between expected and actual experience	-	(2,534)	-
Changes of assumptions	-	46,112	-
Benefit payments, including refunds of member contributions	(16,071)	-	-
Net change in total pension liability	<u>216,292</u>	<u>255,544</u>	<u>182,202</u>
Total pension liability, beginning	<u>1,526,309</u>	<u>1,270,765</u>	<u>1,088,563</u>
Total pension liability, ending (a)	<u><u>\$ 1,742,601</u></u>	<u><u>\$ 1,526,309</u></u>	<u><u>\$ 1,270,765</u></u>
<b>FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 13,818	\$ 16,725	\$ 27,098
Contributions - state aid	61,245	50,971	54,217
Contributions - member	48,354	44,694	42,748
Investment income net of investment expenses	116,198	(18,937)	80,638
Benefit payments, including refunds of member contributions	(16,071)	-	-
Administrative expenses	(10,552)	(11,000)	(5,110)
Net change in fiduciary net position	<u>212,992</u>	<u>82,453</u>	<u>199,591</u>
Fiduciary net position, beginning	<u>1,359,917</u>	<u>1,277,464</u>	<u>1,077,873</u>
Fiduciary net position, ending (b)	<u><u>\$ 1,572,909</u></u>	<u><u>\$ 1,359,917</u></u>	<u><u>\$ 1,277,464</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 169,692</u></u>	<u><u>\$ 166,392</u></u>	<u><u>\$ (6,699)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	90.3%	89.1%	100.5%
Covered payroll	\$ 914,738	\$ 900,000	\$ 857,302
Net pension liability as a percentage of covered payroll	18.6%	18.5%	-0.8%
Annual money-weighted return, net of investment expenses	8.28%	-1.32%	7.28%

**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**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2016	\$ 153,959	\$ 153,959	\$ -	\$ 1,047,846	14.69%
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 2016 using Scale AA.

**UPPER UWCHLAN TOWNSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2016	\$ 75,063	\$ 75,063	\$ -	\$ 914,738	8.21%
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 2016 using Scale AA.

## **SUPPLEMENTARY INFORMATION**

**UPPER UWCHLAN TOWNSHIP**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	Special Revenue Funds			
	Liquid Fuels Fund	Act 209 Fund	Water Resource Protection Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 292,378	\$ 399,541	\$ 114,049	\$ 805,968
<b>TOTAL ASSETS</b>	<b><u>\$ 292,378</u></b>	<b><u>\$ 399,541</u></b>	<b><u>\$ 114,049</u></b>	<b><u>\$ 805,968</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 5,376	\$ -	\$ 18,587	\$ 23,963
Due to other funds	- -	1,979	- -	1,979
<b>TOTAL LIABILITIES</b>	<b><u>5,376</u></b>	<b><u>1,979</u></b>	<b><u>18,587</u></b>	<b><u>25,942</u></b>
<b>FUND BALANCES:</b>				
Restricted	287,002	397,562	95,462	780,026
<b>TOTAL FUND BALANCES</b>	<b><u>287,002</u></b>	<b><u>397,562</u></b>	<b><u>95,462</u></b>	<b><u>780,026</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 292,378</u></b>	<b><u>\$ 399,541</u></b>	<b><u>\$ 114,049</u></b>	<b><u>\$ 805,968</u></b>

**UPPER UWCHLAN TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Special Revenue Funds			
	Liquid Fuels Fund	Act 209 Fund	Water Resource Protection Fund	Total
<b>REVENUES</b>				
Interest	\$ 432	\$ 355	\$ 102	\$ 889
Intergovernmental revenues	377,512	-	-	377,512
Other charges for service	-	175,251	-	175,251
<b>TOTAL REVENUES</b>	<b>377,944</b>	<b>175,606</b>	<b>102</b>	<b>553,652</b>
<b>EXPENDITURES</b>				
Public works - highways and streets	339,560	572,074	145,069	1,056,703
<b>TOTAL EXPENDITURES</b>	<b>339,560</b>	<b>572,074</b>	<b>145,069</b>	<b>1,056,703</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>38,384</b>	<b>(396,468)</b>	<b>(144,967)</b>	<b>(503,051)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	270,000	-	270,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>270,000</b>	<b>-</b>	<b>270,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>38,384</b>	<b>(126,468)</b>	<b>(144,967)</b>	<b>(233,051)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>248,618</b>	<b>524,030</b>	<b>240,429</b>	<b>1,013,077</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 287,002</b>	<b>\$ 397,562</b>	<b>\$ 95,462</b>	<b>\$ 780,026</b>

**UPPER UWCHLAN TOWNSHIP**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 101,313	\$ 126,409	\$ 227,722
Member contributions receivable	1,649	2,162	3,811
Prepaid expense	3,219	7,402	10,621
Investments, at fair value:			
Exchange traded funds	<u>1,466,728</u>	<u>3,657,247</u>	<u>5,123,975</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,572,909</u></b>	<b><u>\$ 3,793,220</u></b>	<b><u>\$ 5,366,129</u></b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	\$ -	\$ -	\$ -
<b>NET POSITION</b>			
Restricted for pension benefits	<u>1,572,909</u>	<u>3,793,220</u>	<u>5,366,129</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 1,572,909</u></b>	<b><u>\$ 3,793,220</u></b>	<b><u>\$ 5,366,129</u></b>

**UPPER UWCHLAN TOWNSHIP**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Non-Uniformed Pension Fund	Police Pension Fund	Total
<b>ADDITIONS</b>			
Contributions:			
State aid	\$ 61,245	\$ 96,242	\$ 157,487
Employer contribution	13,818	57,717	71,535
Employee contribution	48,354	46,580	94,934
Total Contributions	<u>123,417</u>	<u>200,539</u>	<u>323,956</u>
Investment income:			
Net realized/unrealized gain on investments	88,767	218,558	307,325
Interest and dividends	<u>27,431</u>	<u>67,923</u>	<u>95,354</u>
Net Investment Gain	<u>116,198</u>	<u>286,481</u>	<u>402,679</u>
<b>TOTAL ADDITIONS</b>	<u>239,615</u>	<u>487,020</u>	<u>726,635</u>
<b>DEDUCTIONS</b>			
Benefits paid	9,658	90,798	100,456
Refund of member contributions	6,413	-	6,413
Administrative expenses	<u>10,552</u>	<u>8,850</u>	<u>19,402</u>
<b>TOTAL DEDUCTIONS</b>	<u>26,623</u>	<u>99,648</u>	<u>126,271</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	<b>212,992</b>	<b>387,372</b>	<b>600,364</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b><u>1,359,917</u></b>	<b><u>3,405,848</u></b>	<b><u>4,765,765</u></b>
<b>NET POSITION, END OF YEAR</b>	<b><u>\$ 1,572,909</u></b>	<b><u>\$ 3,793,220</u></b>	<b><u>\$ 5,366,129</u></b>

**UPPER UWCHLAN TOWNSHIP**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ESCROW FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Balance</u> <u>1/1/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
<b>ASSETS:</b>				
Cash	\$ 34,608	\$ 42,119	\$ 31,678	\$ 45,049
Other receivables	<u>7,489</u>	<u>10,138</u>	<u>7,489</u>	<u>10,138</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 42,097</u></b>	<b><u>\$ 52,257</u></b>	<b><u>\$ 39,167</u></b>	<b><u>\$ 55,187</u></b>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 42,097</u>	<u>\$ 52,257</u>	<u>\$ 39,167</u>	<u>\$ 55,187</u>

## STATISTICAL SECTION

Upper Uwchlan Township's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, footnote disclosures, and required supplementary information says about the Township's overall financial health.

### **CONTENTS**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the Township's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the Township's most significant local revenue source, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Township's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Township's financial report relates to the services the Township provides and the activities it performs.

**Upper Uwchlan Township**  
 Net Position by Component  
 Last Ten Fiscal Years Ending December 31,  
 (Accrual basis of accounting)  
 Unaudited

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 6,828,688	\$ 5,712,215	\$ 4,511,203	\$ 4,014,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,782,189	3,364,022	1,986,496	1,444,621	-	-	-	-	-	-
Unrestricted	3,005,870	2,444,569	4,505,786	3,891,309	-	-	-	-	-	-
Total governmental activities net position	<u>\$ 12,616,747</u>	<u>\$ 11,520,806</u>	<u>\$ 11,003,485</u>	<u>\$ 9,350,385</u>	<u>\$ -</u>					
<b>Business-type Activities:</b>										
Net investment in capital assets	\$ 18,912,409	\$ 8,529,899	\$ 12,195,762	\$ 12,566,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	392,239	271,452	268,796	266,278	-	-	-	-	-	-
Unrestricted	1,656,168	7,041,444	4,298,577	3,826,968	-	-	-	-	-	-
Total business-type activities net position	<u>\$ 20,960,836</u>	<u>\$ 15,842,795</u>	<u>\$ 16,763,135</u>	<u>\$ 16,659,922</u>	<u>\$ -</u>					
<b>Primary Government:</b>										
Net investment in capital assets	\$ 25,741,097	\$ 14,242,114	\$ 16,706,965	\$ 16,581,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,174,448	3,635,474	2,255,292	1,710,899	-	-	-	-	-	-
Unrestricted	4,662,038	9,486,013	8,804,363	7,718,277	-	-	-	-	-	-
Total primary government net position	<u>\$ 33,577,533</u>	<u>\$ 27,363,601</u>	<u>\$ 27,766,620</u>	<u>\$ 26,010,307</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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses:</b>										
Governmental Activities:										
General government	\$ 1,208,854	\$ 1,333,516	\$ 1,595,060	\$ 1,010,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	2,814,758	2,820,930	2,676,368	2,720,110						
Public works - highways and streets	1,737,343	1,563,901	1,345,409	1,309,513						
Public works - sanitation	818,581	823,187	836,604	776,220						
Culture and recreation	417,753	374,421	205,869	177,029						
Health and welfare	40,242	51,018	12,730	13,735						
Interest expense	13,771	21,755	37,539	52,955						
Total Governmental Activities	<u>7,051,302</u>	<u>6,978,728</u>	<u>6,709,579</u>	<u>6,060,144</u>						
Business-type Activities:										
Sewer operations	2,561,636	2,669,660	1,669,517	1,176,175						
Total Business-type Activities	<u>2,561,636</u>	<u>2,669,660</u>	<u>1,669,517</u>	<u>1,176,175</u>						
Total Expenses	<u>\$ 9,612,938</u>	<u>\$ 9,648,388</u>	<u>\$ 8,379,096</u>	<u>\$ 7,236,319</u>						
<b>Program Revenues:</b>										
Governmental Activities:										
Charges for services										
General government	\$ 391,339	\$ 29,457	\$ 4,952	\$ 18,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	294,653	655,478	424,958	325,271						
Public works - highways and streets	-	-	125,000	53,771						
Public works - sanitation	984,808	1,038,486	995,084	1,015,882						
Culture and recreation	126,750	93,449	88,387	50,342						
Operating grants and contributions	1,039,544	628,661	550,316	626,682						
Capital grants and contributions	-	13,840	70,883	59,406						
Total Governmental Activities	<u>2,837,094</u>	<u>2,459,371</u>	<u>2,259,580</u>	<u>2,149,680</u>						
Business-type Activities:										
Charges for services										
Sewer operations	3,106,309	1,735,848	1,768,935	1,670,456						
Capital grants and contributions	4,556,9345	-	-	-						
Total Business-type Activities	<u>7,666,154</u>	<u>1,735,848</u>	<u>1,768,935</u>	<u>1,670,456</u>						
Total Program Revenues	<u>\$ 10,503,248</u>	<u>\$ 4,195,219</u>	<u>\$ 4,028,515</u>	<u>\$ 3,820,136</u>						
Net (Expense) Revenue										
Governmental Activities	\$ (4,214,208)	\$ (4,519,357)	\$ (4,449,999)	\$ (3,910,464)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities	5,104,518	(933,812)	99,418	494,281						
Total Net Revenue	<u>\$ 890,310</u>	<u>\$ (4,455,691)</u>	<u>\$ (4,350,581)</u>	<u>\$ (3,446,183)</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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Revenues</b>										
Governmental Activities:										
Real estate taxes	\$ 1,014,261	\$ 971,219	\$ 1,045,505	\$ 1,036,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate transfer taxes	513,032	475,726	434,113	489,576						
Earned income taxes	3,354,291	3,159,131	3,934,451	3,365,083						
Franchise fees	254,069	246,377	242,739	237,912						
Interest income	45,855	35,223	23,737	22,520						
Other revenues	125,671	122,814	728,912	142,755						
Gain on disposal of capital assets	2,970	26,188	-	1,862						
Interfund transfers	-	-	11,500	-						
Total General Revenues and Transfers	<u>\$ 5,310,149</u>	<u>\$ 5,036,678</u>	<u>\$ 6,420,957</u>	<u>\$ 5,296,036</u>						
Business-type Activities:										
Unrestricted investment earnings	13,523	13,472	15,295	4,602						
Other revenues	-	-	-	26,827						
Interfund transfers	<u>- 13,523</u>	<u>- 13,472</u>	<u>(11,500)</u>	<u>31,429</u>						
Total Business-type Activities										
Total Primary Government	<u><u>\$ 5,323,672</u></u>	<u><u>\$ 5,050,150</u></u>	<u><u>\$ 6,424,752</u></u>	<u><u>\$ 5,327,465</u></u>						
Change in Net Position:										
Governmental Activities	\$ 1,095,941	\$ 517,321	\$ 1,970,958	\$ 1,385,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities	5,118,041	(920,340)	103,213	525,710						
Total Change in Net Position	<u><u>\$ 6,213,982</u></u>	<u><u>\$ (403,019)</u></u>	<u><u>\$ 2,074,171</u></u>	<u><u>\$ 1,911,282</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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Fund</b>										
Nonspendable	\$ 10,792	\$ 25,441	\$ 27,924	\$ 26,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>3,484,467</u>	<u>2,796,669</u>	<u>4,781,738</u>	<u>3,768,864</u>	<u>\$ -</u>					
<b>Total General Fund</b>	<u><u>\$ 3,495,259</u></u>	<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>					
<b>All other governmental funds</b>										
Nonspendable	\$ -	\$ -	\$ 6,047	\$ 8,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	<u>2,782,189</u>	<u>3,364,022</u>	<u>1,986,496</u>	<u>1,444,621</u>	<u>\$ -</u>					
Total all other governmental funds	<u><u>\$ 2,782,189</u></u>	<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>					

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>REVENUES</b>										
Property taxes	\$ 4,891,244	\$ 4,602,294	\$ 5,493,305	\$ 4,803,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	275,039	493,973	374,927	369,641	57,193	27,321	23,737	64,334	57,193	-
Fines, forfeits, and costs	50,897	58,720	64,334	64,334	-	-	-	-	-	-
Interest, dividends, and rents	45,855	35,223	23,737	23,737	10,347	806,154	745,853	745,853	745,853	-
Intergovernmental revenues	864,294	766,923	1,685,073	1,275,372	1,275,372	-	-	-	-	-
Charges for services/fees	1,900,934	1,506,190	360,475	16,280	16,280	-	-	-	-	-
Miscellaneous	125,673	-	-	-	-	-	-	-	-	-
Total Revenues	<u>8,153,936</u>	<u>7,463,323</u>	<u>8,747,704</u>	<u>7,355,777</u>	<u>7,355,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>										
Current:										
General government	1,241,051	1,317,076	1,555,015	1,120,130	-	-	-	-	-	-
Public safety	2,823,320	2,801,545	2,727,364	2,616,538	-	-	-	-	-	-
Health and welfare	40,242	51,018	12,730	13,735	-	-	-	-	-	-
Public works - highways and streets	2,185,976	1,909,034	1,383,199	1,388,812	-	-	-	-	-	-
Public works - sanitation	806,198	815,606	798,585	739,056	-	-	-	-	-	-
Culture and recreation	712,027	838,690	338,638	207,181	-	-	-	-	-	-
Debt Service:										
Principal and interest	256,776	389,906	401,144	501,144	-	-	-	-	-	-
Total Expenditures	<u>8,065,590</u>	<u>8,122,875</u>	<u>7,216,675</u>	<u>6,586,596</u>	<u>6,586,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over/(under) Expenditures	<u>88,346</u>	<u>(659,552)</u>	<u>1,531,029</u>	<u>769,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	770,000	2,984,176	1,466,500	300,000	-	-	-	-	-	-
Transfers out	(770,000)	(2,984,176)	(1,466,500)	(300,000)	-	-	-	-	-	-
Proceeds of general capital asset disposition	2,970	40,722	10,347	1,862	-	-	-	-	-	-
Refunds of prior year expenditures	-	2,757	570	906	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,970</u>	<u>43,479</u>	<u>22,417</u>	<u>2,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 91,316</u>	<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>
Debt service as a percentage of noncapital expenditures	3%	5%	6%	8%	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		Taxable Assessed Value as a Percentage of Estimated Actual Value			Estimated Actual Taxable Value			Total Direct Tax Rate	
	Residential	Commercial	Agricultural	Commercial	Agricultural	Industrial	Industrial	Exempt	Total Taxable Assessed Value	Exempt	Total Taxable Assessed Value	Exempt	Total Taxable Assessed Value	Exempt	Total Taxable Assessed Value	Exempt	Total Taxable Assessed Value	Exempt	Total Taxable Assessed Value	Exempt	Total Taxable Assessed Value	Exempt
2016	\$ 830,051,348	\$ 112,305,630	\$ 4,946,870	\$ 105,635,350	5,212,920	558,130	\$ 947,861,978	\$ 42,055,600	69,35%	\$ 1,366,780,069	\$ 1,353,443,190	69,35%	\$ 1,034	\$ 1,034	\$ 1,353,443,190	69,42%	\$ 1,344,538,773	1,276,744,354	1,276,744,354	1,034		
2015	827,242,078	103,112,400	5,465,650	102,557,690	5,465,650	558,130	938,648,478	39,189,700	69,35%	933,384,398	38,994,740	69,42%	1,034	1,034	933,384,398	39,207,810	928,112,058	38,921,160	927,338,148	38,404,820	927,338,148	38,921,160
2014	824,248,218	102,843,410	7,163,780	102,843,410	7,089,020	558,130	930,634,048	38,404,820	74,96%	931,959,264	38,190,820	74,88%	1,034	1,034	931,959,264	37,743,710	928,917,395	37,743,710	928,917,395	36,541,430	928,917,395	36,541,430
2013	819,530,588	101,855,790	5,688,290	101,855,790	7,089,020	558,130	927,338,148	38,921,160	72,62%	927,338,148	38,404,820	74,96%	1,034	1,034	927,338,148	38,921,160	927,338,148	38,404,820	927,338,148	38,921,160	927,338,148	38,404,820
2012	819,235,938	101,644,760	5,664,470	101,644,760	7,089,020	558,130	930,634,048	38,404,820	74,96%	930,634,048	38,190,820	74,88%	1,034	1,034	930,634,048	37,743,710	928,917,395	37,743,710	928,917,395	36,541,430	928,917,395	36,541,430
2011	822,766,688	102,843,410	7,163,780	98,492,270	6,800,540	558,130	931,959,264	38,190,820	74,88%	931,959,264	38,190,820	74,88%	1,034	1,034	931,959,264	37,743,710	928,917,395	37,743,710	928,917,395	36,541,430	928,917,395	36,541,430
2010	821,393,944	102,843,410	7,163,780	786,775,538	95,080,550	579,720	889,236,348	805,609,348	78,74%	889,236,348	805,609,348	78,74%	1,034	1,034	889,236,348	805,609,348	822,777,975	7,089,020	822,777,975	7,089,020		
2009	822,777,975	93,064,218	6,800,540	786,775,538	93,064,218	579,720	889,236,348	805,609,348	78,74%	889,236,348	805,609,348	78,74%	1,034	1,034	889,236,348	805,609,348	822,777,975	7,089,020	822,777,975	7,089,020		
2008	705,164,218	93,064,218	6,800,540	786,775,538	93,064,218	579,720	889,236,348	805,609,348	85,37%	889,236,348	805,609,348	85,37%	1,034	1,034	889,236,348	805,609,348	822,777,975	7,089,020	822,777,975	7,089,020		
2007																						

Source: County Assessment Office

**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	Downdowntown Area School District		Chester County		
2016	0.784	0.250	1.034	27.182	27.182	4.163	32.379	
2015	0.784	0.250	1.034	27.182	27.182	4.163	32.379	
2014	0.784	0.250	1.034	27.182	27.182	4.163	32.379	
2013	0.784	0.250	1.034	27.182	27.182	4.163	32.379	
2012	0.784	0.250	1.034	27.182	27.182	3.965	32.181	
2011	0.784	0.250	1.034	26.728	26.728	3.965	31.727	
2010	0.784	0.250	1.034	26.213	26.213	3.965	31.212	
2009	0.784	0.250	1.034	25.475	25.475	3.965	30.474	
2008	0.784	0.250	1.034	24.850	24.850	3.804	29.688	
2007	0.784	0.250	1.034	24.050	24.050	3.804	28.888	

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

Taxpayer	2016		2007		Percentage of Total Assessed Value
	Taxable Assessed Value	Rank	Taxable Assessed Value	Rank	
Kensey Nash Corp.	\$ 12,750,300	1	1.35%	\$ 11,581,390	1
730 Stockton Drive Associates	11,648,470	2	1.23%	**	**
Uni-Tech PA LP	10,163,660	3	1.07%	10,163,660	2
Hankin Group	9,963,410	4	1.05%	9,680,310	3
Eagle Retail Associates LP	7,844,000	5	0.83%	8,725,060	4
Dan Scott Fellowship	5,304,500	6	0.56%	5,304,540	6
Eaglepoint Development	4,818,310	7	0.51%	4,683,660	7
Eagle Nurseries Inc.	3,463,220	8	0.37%	**	**
Innovative Solutions & Support	3,320,130	9	0.35%	3,320,130	10
Wawa, Inc.	3,250,000	10	0.34%	**	**
Pulte Homes of PA	**	**	**	5,367,990	5
Orleans at Upper Uwchlan LP	**	**	**	4,284,650	8
Cutler Group, Inc.	**	**	**	3,585,680	9
				<b>\$ 947,861,978</b>	
					<b>\$ 805,609,348</b>

Source: Chester County Assessment Office  
 \*\* - Not included in top ten

Taxpayer	2016		2007		Percentage of Total Assessed Value
	Taxable Assessed Value	Rank	Taxable Assessed Value	Rank	
Kensey Nash Corp.	\$ 12,750,300	1	1.35%	\$ 11,581,390	1
730 Stockton Drive Associates	11,648,470	2	1.23%	**	**
Uni-Tech PA LP	10,163,660	3	1.07%	10,163,660	2
Hankin Group	9,963,410	4	1.05%	9,680,310	3
Eagle Retail Associates LP	7,844,000	5	0.83%	8,725,060	4
Dan Scott Fellowship	5,304,500	6	0.56%	5,304,540	6
Eaglepoint Development	4,818,310	7	0.51%	4,683,660	7
Eagle Nurseries Inc.	3,463,220	8	0.37%	**	**
Innovative Solutions & Support	3,320,130	9	0.35%	3,320,130	10
Wawa, Inc.	3,250,000	10	0.34%	**	**
Pulte Homes of PA	**	**	**	5,367,990	5
Orleans at Upper Uwchlan LP	**	**	**	4,284,650	8
Cutler Group, Inc.	**	**	**	3,585,680	9
				<b>\$ 947,861,978</b>	
					<b>\$ 805,609,348</b>

**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		Collected in Subsequent Years		Amount Collected	Percentage of Levy	Total Collections to Date	
		Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy			Amount Collected	Percentage of Levy
2016	\$ 1,055,679	\$ 924,585	87.58%	\$ 19,934	\$ 944,519		89.47%		
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%		

Source: Township financial reports

Note: Prior to 2015, the historical information required to segregate tax principal payment amounts from accrued penalties and interest on delinquent taxes are not available. Therefore, penalties and interest received on delinquent taxes have been included in years up to and including 2014.

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

Fiscal Year	Governmental Activities		Business-type Activities		Percentage of Personal Income (2)	Population (2)	Debt Per Capita (2)			
	Capital Leases	General Obligation Notes	General Obligation Bonds (1)	Total Outstanding Debt						
2016	\$ -	\$ 466,184	\$ 5,620,000	\$ 6,086,184	**	11,540	\$ 527			
2015	-	709,189	5,790,000	6,499,189	1.06%	11,482	566			
2014	-	1,077,340	5,955,000	7,032,340	1.20%	11,419	616			
2013	33,830	1,407,114	-	1,440,944	0.25%	11,291	128			
2012	66,899	1,822,234	-	1,889,133	0.32%	11,105	170			
2011	-	2,339,744	-	2,339,744	0.39%	10,824	216			
2010	-	1,110,433	-	1,110,433	0.20%	10,498	106			
2009	-	573,532	-	573,532	0.11%	10,083	57			
2008	-	578,948	-	578,948	**	**	**			
2007	-	2,299,273	-	2,299,273	**	**	**			

(1) Presented net of original issuance discounts and premiums  
 (2) Refer to the Schedule of Demographic and Economic Statistics for population and personal income data.  
 \*\* - Information is not available

Source: Township audited financial statements

**Upper Uwchlan Township**

Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years  
 Unaudited

Fiscal Year Ended December 31	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Estimated Actual Taxable Value of Property	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2016	\$ 5,620,000	\$ -	\$ 5,620,000	0.41%	\$ 487.00	
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%	-	

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, 2016  
 Unaudited

<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Primary Government</u>
School District	\$ 116,320,456	*	\$ -
County	550,765,000	*	<u>-</u>
Upper Uwchlan Township direct debt			6,086,184
Total direct and overlapping debt			<u>\$ 6,086,184</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, 2016  
 Unaudited

Fiscal Year Ended December 31	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value
2016	\$ 947,861,978	69.35%	\$ 1,366,780,069
2015	938,648,478	69.35%	1,353,443,190
2014	933,384,398	69.42%	1,344,538,773
2013	928,112,058	72.69%	1,276,744,354
2012	927,338,148	72.62%	1,277,006,542
<b>Total Five Year Valuation</b>			<b>\$ 6,618,512,928</b>
<b>Five Year Average Full Valuation of Taxable Real Property</b>			<b>\$ 1,323,702,586</b>
<b>Constitutional Debt Limit (7% of Average Full Valuation)</b>			<b>\$ 92,659,181</b>
<b>Outstanding General Obligation Indebtedness as of December 31, 2016:</b>			
Governmental Activities - General Obligation Debt			466,184
Business Activities - General Obligation Debt			5,620,000
Net Indebtedness subject to debt limit			<b>\$ 6,086,184</b>
<b>Net debt contracting margin</b>			<b>\$ 86,572,997</b>
<b>Percentage of net debt contracting margin available</b>			<b>93.43%</b>
<b>Percentage of net debt contracting margin exhausted</b>			<b>6.57%</b>

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total Township Employment	Employees	Rank	Percentage of Total Township Employment
Kensy Nash Corporation	259	1	5.1%	398	1	9.7%
Shire Pharmaceuticals LLC	222	2	4.3%	**	**	**
Eagle Wolfington Leasing	217	3	4.2%	277	3	6.7%
Frontage Laboratories, Inc.	161	4	3.1%	**	**	**
Universal Technical Institute	144	5	2.8%	**	**	**
Seniors of Northern Chester County	140	6	2.7%	**	**	**
Acme Markets, Inc.	138	7	2.7%	84	10	2.0%
Gettins Inc.	112	8	2.2%	**	**	**
Wolfington Body Co., Inc.	103	9	2.0%	85	9	2.1%
Innovative Solutions & Support	94	10	1.8%	209	4	5.1%
United Insulation Service	**	**	**	279	2	6.8%
Car Sense	**	**	**	150	5	3.6%
Adolor Corporation	**	**	**	134	6	3.3%
L&L Sander Management	**	**	**	129	7	3.1%
Dowington Area School District	**	**	**	90	8	2.2%
Total number of people employed in the Township			5,116			4,120

\*\* Not in top ten

Source: Keystone Collections for 2016 data; Berkheimer for 2007 data

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

Fiscal Year	Population	Median Age (1)	Per Capita Income (1)	Education Level in Years of Formal Education (1)			Public School Enrollment (2)	Unemployment Rate (1)
				Personal Income		Bachelors Degree + (%)		
				High School (%)	**	**		
2016	11,540	**	53,487	613,080,120	98.0%	71.1%	**	3,740 3.8%
2015	11,482	39.1	51,042	585,263,280	98.6%	70.7%	3,710 4.9%	
2014	11,419	38.1	51,944	586,880,790	98.5%	71.4%	3,624 5.7%	
2013	11,291	38.1	52,493	582,373,038	98.5%	72.7%	3,596 6.0%	
2012	11,105	36.9	55,548	599,737,894	99.1%	71.9%	3,404 5.1%	
2011	10,824	37.7	52,868	555,549,773	98.6%	70.3%	3,321 3.5%	
2010	10,498	37.3	*	507,775,744	*	*	*	
2009	10,083	37.2	*	*	*	*	*	
2008	*	*	*	*	*	*	*	
2007	*	*	*	*	*	*	*	

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 Uwhlan Township**

## Full-time Equivalent Employees by Function Last Ten Fiscal Years

Unaudited

Function	Full-time Equivalent Employees as of December 31,					
	2016	2015	2014	2013	2012	2011
General government	4	4	4	4	4	3
Public Safety:						3
Police	11	11	11	10	10	10
Codes	3	3	3	3	3	3
Highways and streets	9	7	7	6	5	5
<b>Total</b>	<b>27</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>22</b>	<b>21</b>
						<b>21</b>

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

	Fiscal Year						2007
	2016	2015	2014	2013	2012	2011	
General Government:							
Building permits issued	779	925	1,125	411	302	324	333
Public Safety:							
Number of police personnel	11	11	11	11	11	11	11
Number of arrests	132	100	120	150	110	140	192
Number of traffic violations	2,445	2,482	2,159	2,427	1,974	2,505	2,251
Number of police calls	14,684	15,138	14,362	12,852	8,234	8,330	8,651
Number of vehicle accidents	163	129	218	211	183	189	182
Number of fire emergency responses *	157	127	166	137	141	149	180
Number of EMT responses *	419	417	417	370	436	426	384
Sanitation:							
Tons collected and disposed:							
Solid waste	3,100	3,185	3,641	3,787	3,710	3,744	4,154
Single stream recyclables	1,594	1,536	1,414	1,256	1,253	1,847	2,000
Yard waste	227	328	530	214	230	207	54
Wastewater:							
Catch basins cleaned	1,575	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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Fiscal Year									
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	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	58.43	57.93	53.47	53.47	53.47	49.56	46.54	40.74	40.74
Miles of storm water mains	58.43	58.43	57.93	53.47	53.47	53.47	49.56	46.54	40.74	40.74
Storm water basins (Township owned)	5.00	4.00	4.00	4.00	4.00	4.00	4.00	2.00	2.00	2.00
Miles of sanitary sewers	41.42	41.42	41.42	41.42	40.32	39.21	38.11	37.01	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	8.00	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	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Acres of parks	109.85	109.85	109.85	56.15	56.15	56.15	56.15	56.15	56.15	56.15
Trails maintained (miles)	9.00	8.25	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00

## **OTHER REPORT**

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

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June 22, 2017

Board of Supervisors  
Upper Uwchlan Township  
Chester Springs, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania ("the Township"), as of and for the year ended December 31, 2016, 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 22, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**BARBACANE  
THORNTON  
& COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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