UPPER UWCHLAN TOWNSHIP

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013

UPPER UWCHLAN TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

July 14, 2014

Board of Supervisors
Upper Uwchlan Township
Chester Springs, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and pension schedules on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2014 on our consideration of Upper Uwchlan Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

Board of Supervisors
Upper Uwchlan Township

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Uwchlan Township's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

This discussion and analysis of Upper Uwchlan Township, Pennsylvania provides an overview of the Township's financial performance for the year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- **Assets** - The assets of Upper Uwchlan Township exceeded its liabilities at the close of the most recent fiscal year by $26,010,307 (representing its net position).

- **Cash and Investments** - Total Township assets included $9,230,765 in cash and cash equivalents and investments.

- **Governmental Fund Balances** - As of December 31, 2013, the Township's governmental funds combined ending fund balance of $5,248,759 was $771,949 better than the prior year. Of this total, $3,768,864 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 12 and 13 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 14 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 12 and 13 with the Statement of Net Position and the Statement of Activities.

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

The Statement of Net Position and the Statement of Activities report the Township's net position and the changes in them during the year. The reader can think of the Township's net position – the difference between assets and liabilities – 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. The Township's Sewer Fund holds the sewer infrastructure used by the Township's Municipal Authority to provide sewer services to the residents of the Township. The Township's Municipal Authority is a component unit of the Township, which is blended as an enterprise fund for financial reporting. When the Township's Municipal Authority charges customers for the sewer services it provides, these services are reported in the proprietary funds. The proprietary funds are 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 is the same as the business-type activities reported in the entity-wide statements but provides more detail and additional information, such as cash flows for the proprietary funds.

The Township as Trustee

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. For 2013, the Township's Fiduciary Funds were the Developer's Escrow Fund, the Police Pension Fund, and the Non-Uniformed Pension Fund.

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 Upper Uwchlan Township, assets totaling $28,080,710 exceeded liabilities by $26,010,307 at the close of 2013, 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, 2013 and 2012

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 5,899,137	$ 5,011,874	$ 4,159,498	$ 3,415,788	$ 10,058,635	$ 8,427,662
Capital assets	5,455,399	5,377,136	12,566,676	12,823,379	18,022,075	18,200,515
Total Assets	$ 11,354,536	$ 10,389,010	$16,726,174	$ 16,239,167	$28,080,710	$ 26,628,177
Current liabilities	$ 726,815	$ 983,253	$ 66,252	$ 104,955	$ 793,067	$ 1,088,208
Noncurrent liabilities	1,277,336	1,440,944	-	-	1,277,336	1,440,944
Total Liabilities	2,004,151	2,424,197	66,252	104,955	2,070,403	2,529,152
Net Position:						
Net investment in capital assets	4,014,455	3,432,735	12,566,676	12,823,378	16,581,131	16,256,113
Restricted	1,453,581	1,584,657	266,278	260,713	1,719,859	1,845,370
Unrestricted	3,882,349	2,947,421	3,826,968	3,050,121	7,709,317	5,997,542
Total Net Position	9,350,385	7,964,813	16,659,922	16,134,212	26,010,307	24,099,025
Total Liabilities and Net Position	$ 11,354,536	$ 10,389,010	$ 16,726,174	$ 16,239,167	$ 28,080,710	$ 26,628,177

Township capital assets include infrastructure assets, incorporating approximately 53 miles of road, 23 miles of sewer pipeline, and traffic signals at 11 highway intersections. Total liabilities include $1,440,944 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 $7,709,317 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 $5,997,542.

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

Governmental Activities

As reported below in Table 2, the increase in net position from the Township's governmental activities was $1,385,572 for the year ended December 31, 2013.

Table 2
STATEMENT OF CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program revenues:						
Charges for services	$ 1,463,592	$ 1,536,122	$ 1,670,456	$ 1,640,738	$ 3,134,048	$ 3,176,860
Operating grants and contributions	626,682	476,245	-	-	626,682	476,245
Capital grants and contributions	59,406	1,454,504	-	-	59,406	1,454,504
General revenues:						
Earned income taxes	3,365,083	3,273,404	-	-	3,365,083	3,273,404
Property taxes	1,036,328	1,020,819	-	-	1,036,328	1,020,819
Real estate transfer taxes	489,576	385,997	-	-	489,576	385,997
Franchise fees	237,912	218,864	-	-	237,912	218,864
Other	167,137	154,948	31,429	2,640	198,566	157,588
TOTAL REVENUES	7,445,716	8,520,903	1,701,885	1,643,378	9,147,601	10,164,281
EXPENSES:						
General government	1,010,582	1,059,174	-	-	1,010,582	1,059,174
Public safety	2,720,110	2,520,289	-	-	2,720,110	2,520,289
Highways/streets	1,309,513	1,204,319	-	-	1,309,513	1,204,319
Other public works	776,220	742,216	-	-	776,220	742,216
Culture and recreation	177,029	256,434	-	-	177,029	256,434
Health and welfare	13,735	-	-	-	13,735	-
Interest expense	52,955	66,541	-	-	52,955	66,541
Sewer operations	-	-	1,176,175	1,084,141	1,176,175	1,084,141
TOTAL EXPENSES	6,060,144	5,848,973	1,176,175	1,084,141	7,236,319	6,933,114
INCREASE IN NET POSITION	1,385,572	2,671,930	525,710	559,237	1,911,282	3,231,167
NET POSITION, BEGINNING OF YEAR	7,964,813	5,292,883	16,134,212	15,574,975	24,099,025	20,867,858
NET POSITION, END OF YEAR	$ 9,350,385	$ 7,964,813	$16,659,922	$16,134,212	$26,010,307	$24,099,025

The cost of all governmental activities in 2013 was $6,060,144 including $305,322 in depreciation. This cost was funded primarily by tax revenue of $4,890,987, including the earned income tax, real estate taxes, and real estate transfer taxes. Charges/fees for other services, including permits, accounted for an additional $1,463,592 in revenue, and intergovernmental revenue accounted for another $686,088.

As indicated by governmental activities expenses, public safety programs account for $2,720,110, or approximately 45 percent of the total expenses of the Township's governmental activities. Public safety includes the police department, the Township's emergency management services, and contributions to the local fire departments who provide services to the Township. General government and highways and streets services account for approximately 17 percent and 22 percent, respectively, of the total expenses for 2013.

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 $3,365,083 or 45 percent of all governmental activity revenue in 2013. Property taxes and real estate transfer taxes provided 14 percent and seven percent, respectively, of total governmental activity revenue.

Revenues for governmental activities in 2013 were $1,075,187 lower than in 2012. This net decrease was due primarily to the following:

- Decrease in capital grants and contributions of $1,395,098 in 2013 vs. 2012. The Township received $958,177 and $479,631 during 2012 in State and County grants for the construction of the Park Road Bridge and the Adaptive Traffic Control System, respectively. These projects have been completed.

- Increase in Operating Grants and Contribution revenue of $150,437 in 2013 vs. 2012.

- Increase in Real Estate Transfer Tax revenue of $103,579 in 2013 vs. 2012.

- Increase in Earned Income Tax revenue of $91,679 in 2013 vs. 2012.

Business-type (Proprietary Fund) Activities

Upper Uwchlan Township's sewer system includes 13 sewer pumping stations and approximately 23 miles of pipeline. The Township accepts flows from a residential development that is partially in West Vincent Township and collects sewer rental fees from these properties. As reflected in the Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds on page 21, sewer operating expenses totaled $1,176,175 for 2013. Operating expenses also included $281,503 in depreciation in 2013.

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

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 2013 included:

- Sewer (usage) fees totaling $1,670,456.

Major expenses included:

- Utilities expense (electric and water) totaling $228,304
- Administration costs paid to Upper Uwchlan Township for providing the use of its personnel for oversight, financial management, utility billing, and ground maintenance totaling $116,562

As also reflected in the Statement of Net Position - Proprietary Funds, total assets for the proprietary fund as of December 31, 2013 were $16,783,989. This included $3,953,084 in cash and investment accounts and $12,566,676 of equipment and infrastructure assets.

The Township also plans to borrow approximately $6,000,000 in 2014 in the form of General Obligation bonds. The proceeds from this new 2014 bond issue will be used to help finance a newly constructed sewer pumping station 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 14 and 16, as of December 31, 2013, the Township's governmental funds reported combined ending fund balances of $5,248,759, an increase of $771,949 from the prior year. Approximately 72 percent, or $3,768,864, is an "unassigned" fund balance in the General Fund, which means that it is available for spending at the Township's discretion. The remainder of the fund balance is either "nonspendable," or "restricted" which means that it is not available for new spending because it has been restricted for capital improvements, park development, or other special purposes.

Major funds maintained by the Township include the following:

The ***General Fund*** is the chief operating fund of Upper Uwchlan Township. As of December 31, 2013, the total fund balance of the General Fund was $3,795,178, a $903,026 increase from 2012. 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, 2013 was $229,703, a decrease of $391,074 from 2012.

Historically, the major revenue and other financing sources for the Capital Projects Fund 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, 2013 was $791,484, an increase of approximately $285,604 from 2012.

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 20, amounted to $3,826,968.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's General Fund budget and actual results can be found on pages 18 and 19 of the financial statements.

During 2013, there were no revisions to the original approved General Fund budget.

The very conservative 2013 budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by $512,257; however, the Township ended the year with actual revenue and other financing sources exceeding expenditures and other financing uses by $903,026, or $390,769 better than budget.

This favorable budget variance was due primarily to:

- Earned Income Tax revenue was $405,883 better than budget.
- Revenue from Real Estate Transfer taxes was $189,576 better than budget.
- Expenditures across all major departments were $98,392 higher than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2013, the Township's investment in depreciable capital assets for its governmental and business-type activities, as shown on page 12, amounted to $18,022,075, 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 decrease in the Township's investment in capital assets for the current fiscal year was $178,439, net of accumulated depreciation.

The above decrease is due primarily to 2013 depreciation expense.

Long-term Debt

At December 31, 2013, the Township had $1,407,114 in General Obligation notes outstanding to a local bank and capital lease liabilities totaling $33,830.

The Township also plans to borrow approximately $6,000,000 in 2014. The proceeds from this new 2014 bond issue will be used to help finance a newly constructed sewer pumping station and the upgrade and expansion of sewer distribution lines.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Because of favorable demographics – the level of education, median household income, and advantageous location (proximity to employment centers such as Philadelphia, King of Prussia, and Wilmington), Upper Uwchlan Township continues to rely on the earned income tax ("EIT") for a large portion (45 percent in 2013) of its revenue in the General Fund.
- The Township Real Estate Tax rate of 1.034 mills has not been increased since 2005.
- Township Real Estate Transfer Tax revenues rebounded to new higher levels in 2013 and it is anticipated that this revenue can continue to be counted on.
- The Township maintains approximately $5,000,000 in (insured or collateralized) cash accounts. Interest rates on these accounts have dropped significantly since 2008 and are forecasted to remain very low throughout 2014.
- The Township adopted a 2014 General Fund budget in which revenues are expected to exceed expenses by $58,335. The Township ended 2013 in a strong position, with a General Fund balance of $3.8 million. The 2014 Budget includes a transfer of $700,000 and $600,000 from the General Fund and Solid Waste Funds to the Capital Projects Fund, respectively.
- Salary/wage and FICA costs are budgeted to increase by approximately five percent in 2014. This is due primarily to existing contractual bargaining unit (union) agreements with the police, as well as an anticipated increase in seasonal Public Works department employees. Non-uniformed personnel are budgeted for three percent salary increases in 2014.

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, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 5,026,636	$ 3,435,761	$ 8,462,397
Restricted cash	-	16,142	16,142
Investments	251,045	251,045	502,090
Accounts and other receivables	441,196	258,154	699,350
Taxes receivable	87,171	-	87,171
Internal activity	57,815	(57,815)	-
Prepaid expenses	35,274	6,075	41,349
Total Current Assets	5,899,137	3,909,362	9,808,499
Noncurrent Assets:			
Restricted investments	-	250,136	250,136
Depreciable capital assets, net	5,148,026	12,566,676	17,714,702
Land	280,000	-	280,000
Construction-in-progress	27,373	-	27,373
Total Noncurrent Assets	5,455,399	12,816,812	18,272,211
TOTAL ASSETS	$11,354,536	$16,726,174	$28,080,710
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	$ 126,142	$ 66,252	$ 192,394
Payroll withholdings payable	140,633	-	140,633
Unearned revenues	296,432	-	296,432
Current portion of notes payable	129,778	-	129,778
Current portion of capital leases	33,830	-	33,830
Total Current Liabilities	726,815	66,252	793,067
Noncurrent Liabilities:			
Notes payable	1,277,336	-	1,277,336
Total Noncurrent Liabilities	1,277,336	-	1,277,336
TOTAL LIABILITIES	2,004,151	66,252	2,070,403
NET POSITION			
Net investment in capital assets	4,014,455	12,566,676	16,581,131
Restricted	1,453,581	266,278	1,719,859
Unrestricted	3,882,349	3,826,968	7,709,317
TOTAL NET POSITION	9,350,385	16,659,922	26,010,307
TOTAL LIABILITIES AND NET POSITION	$11,354,536	$16,726,174	$28,080,710

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES:							
General government	$ 1,010,582	$ 18,326	$ 56,445	$ -	$ (935,811)	$ -	$ (935,811)
Public safety	2,720,110	325,271	193,795	59,406	(2,141,638)	-	(2,141,638)
Public works - highways and streets	1,309,513	53,771	267,180	-	(988,562)	-	(988,562)
Other public works	776,220	1,015,882	107,454	-	347,116	-	347,116
Culture and recreation	177,029	50,342	1,808	-	(124,879)	-	(124,879)
Health and welfare	13,735	-	-	-	(13,735)	-	(13,735)
Interest expense	52,955	-	-	-	(52,955)	-	(52,955)
TOTAL GOVERNMENTAL ACTIVITIES	6,060,144	1,463,592	626,682	59,406	(3,910,464)	-	(3,910,464)
BUSINESS-TYPE ACTIVITIES:							
Sewer operations	1,176,175	1,670,456	-	-	-	494,281	494,281
TOTAL BUSINESS-TYPE ACTIVITIES	1,176,175	1,670,456	-	-	-	494,281	494,281
TOTAL PRIMARY GOVERNMENT	$ 7,236,319	$ 3,134,048	$ 626,682	$ 59,406	(3,910,464)	494,281	(3,416,183)
GENERAL REVENUES							
Taxes:							
Real estate taxes					1,036,328	-	1,036,328
Real estate transfer taxes					489,576	-	489,576
Earned income taxes					3,365,083	-	3,365,083
Franchise fees					237,912	-	237,912
Interest income					22,520	4,602	27,122
Other revenues					142,755	26,827	169,582
Gain on sale of capital assets					1,862	-	1,862
TOTAL GENERAL REVENUES					5,296,036	31,429	5,327,465
CHANGE IN NET POSITION					1,385,572	525,710	1,911,282
NET POSITION, BEGINNING OF YEAR					7,964,813	16,134,212	24,099,025
NET POSITION, END OF YEAR					$ 9,350,385	$16,659,922	$26,010,307

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

UPPER UWCHLAN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Capital Projects Fund	Solid Waste Fund	Other Nonmajor Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	$ 3,519,742	$ 284,623	$ 750,029	$ 472,242	$ 5,026,636
Investments	251,045	-	-	-	251,045
Accounts receivable	225,070	-	216,126	-	441,196
Taxes receivable	87,171	-	-	-	87,171
Due from other funds	52,608	-	6,971	-	59,579
Prepaid expenditures	26,314	-	8,960	-	35,274
TOTAL ASSETS	$ 4,161,950	$ 284,623	$ 982,086	$ 472,242	$ 5,900,901
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 85,788	$ -	$ 14,997	$ 39,848	$ 140,633
Accrued payroll and withholdings	72,749	-	-	-	72,749
Accrued expenses	-	53,393	-	-	53,393
Due to other funds	237	1,527		-	1,764
Unearned revenues - engineering fees	120,827	-	-	-	120,827
Unearned revenues - solid waste collection fees	-	-	175,605	-	175,605
TOTAL LIABILITIES	279,601	54,920	190,602	39,848	564,971
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - real estate taxes	87,171	-	-	-	87,171
TOTAL DEFERRED INFLOWS OF RESOURCES	87,171	-	-	-	87,171
FUND BALANCES:					
Nonspendable	26,314	-	8,960	-	35,274
Restricted					
Solid waste	-	-	782,524	-	782,524
Highways and streets	-	-	-	432,394	432,394
Capital projects	-	229,703	-	-	229,703
Unassigned	3,768,864	-	-	-	3,768,864
TOTAL FUND BALANCES	3,795,178	229,703	791,484	432,394	5,248,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,161,950	$ 284,623	$ 982,086	$ 472,242	$ 5,900,901

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, 2013

TOTAL GOVERNMENTAL FUND BALANCES		$ 5,248,759
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position.		5,455,399
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		87,171
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:		
Capital leases payable	$ (33,830)	
Notes payable	(1,407,114)	
		(1,440,944)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 9,350,385

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

UPPER UWCHLAN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	$ 4,803,816	$ -	$ -	$ -	$ 4,803,816
Licenses and permits	369,641	-	-	-	369,641
Fines, forfeits, and costs	57,193	-	-	-	57,193
Interest, dividends, and rents	22,272	479	4,016	554	27,321
Intergovernmental revenues	372,114	-	107,454	326,586	806,154
Charges for services/fees	205,719	-	1,015,882	53,771	1,275,372
Miscellaneous revenue/other	16,280	-	-	-	16,280
TOTAL REVENUES	5,847,035	479	1,127,352	380,911	7,355,777
EXPENDITURES					
Current:					
General government	1,085,348	32,090	2,692	-	1,120,130
Public safety	2,587,022	29,516	-	-	2,616,538
Health and welfare	13,735	-	-	-	13,735
Public works - highways and streets	900,646	81,648	-	406,518	1,388,812
Public works - sanitation	-	-	739,056	-	739,056
Culture and recreation	158,164	49,017	-	-	207,181
Debt service:					
Principal and interest	-	501,144	-	-	501,144
TOTAL EXPENDITURES	4,744,915	693,415	741,748	406,518	6,586,596
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,102,120	(692,936)	385,604	(25,607)	769,181
OTHER FINANCING SOURCES (USES)					
Proceeds of general fixed asset disposition	-	1,862	-	-	1,862
Refunds of prior year expenditures	906	-	-	-	906
Transfers in	-	300,000	-	-	300,000
Transfers out	(200,000)	-	(100,000)	-	(300,000)
TOTAL OTHER FINANCING SOURCES (USES)	(199,094)	301,862	(100,000)	-	2,768
NET CHANGE IN FUND BALANCES	903,026	(391,074)	285,604	(25,607)	771,949
FUND BALANCES, BEGINNING OF YEAR	2,892,152	620,777	505,880	458,001	4,476,810
FUND BALANCES, END OF YEAR	$ 3,795,178	$ 229,703	$ 791,484	$ 432,394	$ 5,248,759

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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 771,949
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 ($383,585) exceeded depreciation ($305,322) in the current period.		78,263
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		87,171
The issuance of long-term debt (e.g. capital leases, notes) provides current resources to governmental funds, while repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:		
Note principal payment	$ 415,120	
Capital lease principal payment	33,069	448,189
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,385,572

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, 2013

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate - current	$ 1,055,000	$ 949,157	$ (105,843)
Real estate - transfer	300,000	489,576	189,576
Earned income tax	2,959,200	3,365,083	405,883
Licenses and permits	327,100	369,641	42,541
Fines, forfeits, and costs	60,500	57,193	(3,307)
Interest, dividends, and rents	17,300	22,272	4,972
Intergovernmental revenues	222,780	372,114	149,334
Charges for services/fees	216,900	205,719	(11,181)
Miscellaneous revenue	-	16,280	16,280
TOTAL REVENUES	5,158,780	5,847,035	688,255
EXPENDITURES			
Current:			
General Government:			
General operations	47,657	37,380	10,277
Administration	573,537	566,698	6,839
Audit services	17,500	17,000	500
Tax collection	44,125	35,374	8,751
Legal services	80,000	45,700	34,300
IT and data processing	70,333	103,842	(33,509)
Engineering	154,000	206,406	(52,406)
Building and grounds	59,195	72,948	(13,753)
Total General Government	1,046,347	1,085,348	(39,001)
Public Safety:			
Police	1,809,361	1,829,397	(20,036)
Fire protection	336,782	362,913	(26,131)
Ambulance	27,038	27,038	-
Code enforcement	261,973	279,240	(17,267)
Planning and zoning	81,300	82,073	(773)
Emergency management	5,400	6,361	(961)
Total Public Safety	2,521,854	2,587,022	(65,168)
Health and welfare	18,500	13,735	4,765

Continued on next page.

UPPER UWCHLAN TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES (cont'd)			
Current:			
Public Works:			
Highway general services	870,716	879,054	(8,338)
Signs, signals, and street lights	16,000	18,337	(2,337)
Highway maintenance and repair	-	3,255	(3,255)
Total Public Works	886,716	900,646	(13,930)
Culture and Parks:			
Parks	169,606	158,079	11,527
Historical commissions	3,500	85	3,415
Total Culture and Parks	173,106	158,164	14,942
TOTAL EXPENDITURES	4,646,523	4,744,915	(98,392)
EXCESS OF REVENUES OVER EXPENDITURES	512,257	1,102,120	589,863
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	-	(200,000)	(200,000)
Refund of prior year expenditures	-	906	906
TOTAL OTHER FINANCING USES	-	(199,094)	(199,094)
NET CHANGE IN FUND BALANCE	$ 512,257	903,026	$ 390,769
FUND BALANCE, BEGINNING OF YEAR		2,892,152	
FUND BALANCE, END OF YEAR		$ 3,795,178	

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013

	Enterprise Funds		
	Sewer Fund	Sewer Authority	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 3,435,761	$ 3,435,761
Cash - restricted	-	16,142	16,142
Investments	-	251,045	251,045
Accounts receivable	-	258,154	258,154
Prepaid expenses	-	6,075	6,075
Total Current Assets	-	3,967,177	3,967,177
Noncurrent Assets:			
Investments - restricted	-	250,136	250,136
Equipment	-	78,050	78,050
Infrastructure and improvements	13,516,924	973,254	14,490,178
Less: Accumulated depreciation	(1,841,724)	(159,828)	(2,001,552)
Total Noncurrent Assets	11,675,200	1,141,612	12,816,812
TOTAL ASSETS	$ 11,675,200	$ 5,108,789	$ 16,783,989
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ -	$ 66,252	$ 66,252
Due to other funds	-	57,815	57,815
Total Liabilities	-	124,067	124,067
NET POSITION			
Net investment in capital assets	11,675,200	891,476	12,566,676
Restricted - tapping fees	-	266,278	266,278
Unrestricted	-	3,826,968	3,826,968
Total Net Position	11,675,200	4,984,722	16,659,922
TOTAL LIABILITIES AND NET POSITION	$ 11,675,200	$ 5,108,789	$ 16,783,989

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, 2013

	Enterprise Funds		
	Sewer Fund	Sewer Authority	Totals
OPERATING REVENUES			
Charges for services	$ -	$ 1,670,456	$ 1,670,456
TOTAL OPERATING REVENUES	-	1,670,456	1,670,456
OPERATING EXPENSES			
Administrator	-	21,118	21,118
Administration	-	116,562	116,562
Chemicals	-	16,110	16,110
Contracted services	-	106,542	106,542
Depreciation	249,677	31,826	281,503
Engineering services	-	149,725	149,725
Insurance	-	11,279	11,279
Lawn maintenance	-	11,544	11,544
Pumping and sludge hauling	-	44,562	44,562
Professional fees	-	9,658	9,658
Repairs and maintenance	-	106,069	106,069
Supplies	-	4,475	4,475
Testing	-	50,277	50,277
Vegetation management	-	5,646	5,646
Permits	-	583	583
Utilities	-	228,304	228,304
Utility billing costs		6,007	6,007
Miscellaneous	-	6,211	6,211
TOTAL OPERATING EXPENSES	249,677	926,498	1,176,175
OPERATING INCOME (LOSS)	(249,677)	743,958	494,281
NONOPERATING REVENUES			
Interest income	-	4,602	4,602
Miscellaneous revenue	-	26,827	26,827
TOTAL NONOPERATING REVENUES	-	31,429	31,429
CHANGE IN NET POSITION	(249,677)	775,387	525,710
NET POSITION, BEGINNING OF YEAR	11,924,877	4,209,335	16,134,212
NET POSITION, END OF YEAR	$ 11,675,200	$ 4,984,722	$ 16,659,922

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, 2013

	Enterprise Funds		
	Sewer Fund	Sewer Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ -	$ 1,817,234	$ 1,817,234
Payments to suppliers for goods and services	-	(846,943)	(846,943)
NET CASH PROVIDED BY OPERATING ACTIVITIES	-	970,291	970,291
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	-	(24,800)	(24,800)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(24,800)	(24,800)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	-	4,602	4,602
Purchase of investments		(501,181)	(501,181)
NET CASH USED BY INVESTING ACTIVITIES	-	(496,579)	(496,579)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	448,912	448,912
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	3,002,991	3,002,991
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ 3,451,903	$ 3,451,903
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (249,677)	$ 743,958	$ 494,281
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	249,677	31,826	281,503
Decrease in assets:			
Accounts receivable	-	173,605	173,605
Prepaid expenses	-	1,791	1,791
Increase (Decrease) in liabilities:			
Accounts payable and accrued expenses	-	(3,246)	(3,246)
Due to other funds	-	22,357	22,357
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ -	$ 970,291	$ 970,291
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	$ -	$ 3,435,761	$ 3,435,761
Cash - restricted	-	16,142	16,142
	$ -	$ 3,451,903	$ 3,451,903

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency Fund Escrow Fund	Trust Funds
ASSETS		
Cash and cash equivalents	$ 26,002	$ 215,059
Prepaid pension payments	-	1,970
Prepaid expenses	-	8,000
Investments, at fair value:		
Exchange traded funds	-	3,752,969
TOTAL ASSETS	$ 26,002	$ 3,977,998
LIABILITIES AND NET POSITION		
LIABILITIES		
Due to others	$ 26,002	$ -
NET POSITION		
Restricted for pension benefits	-	3,977,998
TOTAL LIABILITIES AND NET POSITION	$ 26,002	$ 3,977,998

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

UPPER UWCHLAN TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Trust Funds
ADDITIONS	
Contributions:	
State aid	$ 128,184
Employer contribution	127,572
Employee contribution	63,167
Total Contributions	318,923
Investment income:	
Net realized/unrealized gain on investments	456,517
Interest and dividends	77,778
Net Investment Income	534,295
TOTAL ADDITIONS	853,218
DEDUCTIONS	
Benefits paid	7,882
Administrative expenses	6,200
TOTAL DEDUCTIONS	14,082
CHANGE IN PLAN NET POSITION	839,136
NET POSITION, BEGINNING OF YEAR	3,138,862
NET POSITION, END OF YEAR	$ 3,977,998

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Blended Component Unit

The Upper Uwchlan Township Municipal Authority is a public authority, which exists to provide sewer operations using the assets of the Township Sewer Fund. The Authority is considered a blended component unit and is shown in the financial statements as part of the primary government proprietary funds. The Authority is audited by Barbacane, Thornton & Company LLP; whose report dated June 23, 2014 is publicly available through the offices of Upper Uwchlan Township.

Basis of Presentation

Entity-wide Financial Statements

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

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

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

but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

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

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

Fund Financial Statements

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

The Township reports the following major governmental funds:

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

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:

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

- 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 transporation impact fees and similar revenues. Expenditures consist of improvements to the Township's roadways either by major capital installations or minor repairs.

The Township reports the following major proprietary funds:

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

Governmental Funds

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

Revenue Recognition

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

Property tax and earned income 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 and earned income tax receivables are recorded and deferred 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.

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

Expenditure Recognition

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

Proprietary Funds

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

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

Budgets

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

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.

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

Receivables and Payables

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

Deferred Inflows and Deferred Outflows of Resources

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

Capital Assets

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

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

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

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

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

Long-term Obligations

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

Fund Balances

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

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

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

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

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

Unassigned – all other spendable amounts.

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.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit excluding the pension funds. At December 31, 2013, the carrying amount of the Township's deposits was $8,504,541 and the bank balance was $8,532,481. Of the bank balance, $750,000 was covered by federal depository insurance and $7,782,481 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. Cash and cash equivalents held by the pension funds are separately disclosed in Notes 9 and 10, and are excluded from the balances above.

Investments

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

As of December 31, 2013, the Township had the following investment and maturity:

		Investment Maturity	
Investment Type	Fair Value	Less Than One Year	One to Five Years
Certificates of deposit	$ 752,226	$ 502,090	$ 250,136
TOTAL	$ 752,226	$ 502,090	$ 250,136

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, 2013, none of Township's investments were subject to custodial credit risk.

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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, 2013, all of the Township's investments had maturity dates of less than five years.

Credit Risk

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

Pension Plans

Investments held by the pension funds are separately disclosed in Notes 9 and 10, and are excluded from the balances above.

NOTE 3 INTERFUND ACTIVITY

The composition of interfund balances as of December 31, 2013 is as follows:

Receivable To:	Payable From:	Amount
General Fund	Capital Projects Fund	$ 1,527
Solid Waste Fund	General Fund	$ 237
General Fund	Sewer Authority	$ 51,081
Solid Waste Fund	Sewer Authority	$ 6,734

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

Interfund transfers:

Transfers out:		Transfers in:	
General Fund	$ 200,000	Capital Projects Fund	$ 200,000
Solid Waste Fund	100,000	Capital Projects Fund	100,000
Total	$ 300,000	Total	$ 300,000

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.

NOTE 4 UNEARNED REVENUES

At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from revenue received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General capital assets not being depreciated:				
Land	$ 280,000	$ -	$ -	$ 280,000
Construction-in-progress	-	27,373	-	27,373
Total general capital assets not being depreciated	280,000	27,373	-	307,373
General capital assets being depreciated:				
Land improvements	775,575	-	-	775,575
Infrastructure	2,284,957	189,707	-	2,474,664
Buildings and improvements	1,314,101	45,403	-	1,359,504
Machinery and equipment	1,508,937	121,102	-	1,630,039
Total general capital assets being depreciated	5,883,570	356,212	-	6,239,782
Accumulated depreciation:				
Land improvements	100,438	38,779	-	139,217
Infrastructure	121,928	118,990	-	240,918
Buildings and improvements	44,763	33,975	-	78,738
Machinery and equipment	519,305	113,578	-	632,883
Total accumulated depreciation	786,434	305,322	-	1,091,756
Total general capital assets being depreciated, net	5,097,136	50,890	-	5,148,026
Governmental Activities, Net	$ 5,377,136	$ 78,263	$ -	$ 5,455,399
Business-type Activities:				
Capital assets being depreciated:				
Sewer system - Infrastructure	$14,465,378	$ 24,800	$ -	$ 14,490,178
Equipment	78,050	-	-	78,050
Total capital assets being depreciated	14,543,428	24,800	-	14,568,228

NOTE 5 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Accumulated depreciation:				
Sewer system -				
Infrastructure	1,716,147	273,698	-	1,989,845
Equipment	3,902	7,805	-	11,707
Total accumulated depreciation	1,720,049	281,503	-	2,001,552
Total capital assets being depreciated, net	12,823,379	(256,703)	-	12,566,676
Business-type Activities, Net	$12,823,379	$ (256,703)	$ -	$ 12,566,676

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

Governmental Activities:	
General government	$ 56,327
Public safety	131,575
Public works - highways and streets	69,838
Other public works	37,164
Culture and recreation	10,418
Total Depreciation Expense - Governmental Activities	$ 305,322
Business-type Activities:	
Sewer operations	$ 281,503

NOTE 6 LONG-TERM DEBT

Governmental Activities:

National Penn Bank - General Obligation Note with interest at a fixed rate of 1.95% per annum, payable monthly. Maturity date is June 21, 2026.	$ 826,185
National Penn Bank - General Obligation Note with interest at a fixed rate of 3.75% through September 2015 and at a variable rate equal to 60% of the Wall Street Journal Prime rate plus 2.50%, per annum, up to a maximum of 7% through maturity. Maturity date is September 1, 2021.	580,929
	$ 1,407,114

NOTE 6 LONG-TERM DEBT (cont'd)

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

Governmental Activities:

Year Ending December 31,	Principal	Interest	Total Maturities
2014	$ 129,778	$ 36,758	$ 166,536
2015	134,025	32,511	166,536
2016	138,043	28,493	166,536
2017	142,284	24,252	166,536
2018	146,620	19,916	166,536
2019-2023	523,561	43,751	567,312
2024-2026	192,803	5,267	198,070
	$ 1,407,114	$ 190,948	$ 1,598,062

A schedule of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation notes	$1,822,234	$ -	$ 415,120	$ 1,407,114	$ 129,778
Capital leases payable	66,899	-	33,069	33,830	33,830
Total Governmental Activities	$1,889,133	$ -	$ 448,189	$ 1,440,944	$ 163,608

For the year ended December 31, 2013, interest expense in the amount of $52,955 was recorded as a direct expense of the capital fund.

NOTE 7 TAXES

For the year ended December 31, 2013, the Township levied the following taxes on assessed value of real estate:

1.034 mills for general purposes,
0.087 mills for fire hydrants

The taxable assessed valuation of property as of December 31, 2013 was $928,112,058.

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

NOTE 7 TAXES (cont'd)

Other taxes levied in 2013:

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

NOTE 8 FUND BALANCES

As of December 31, 2013, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Solid Waste Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable	$ 26,314	$ -	$ -	$ 8,960	$ 35,274
Restricted					
Capital projects	-	229,703	-	-	229,703
Highways and streets	-	-	-	423,434	423,434
Solid waste	-	-	791,484	-	791,484
Unassigned	3,768,864	-	-	-	3,768,864
Total Fund Balances	$ 3,795,178	$ 229,703	$ 791,484	$ 432,394	$ 5,248,759

NOTE 9 POLICE PENSION PLAN

Plan description and provisions:

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

Plan Membership

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

Active employees	10
Vested terminated employees	1
Total	11

NOTE 9 POLICE 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, 2013, disclosed that the pension plan benefit provisions are as follows:

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

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 shall receive credit for all such active military services, 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.

NOTE 9 POLICE PENSION PLAN (cont'd)

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, 2013, the carrying amount of the Police Pension Plan's deposits was $155,936, which is equal to the deposits in a depository account held by the trustee of the Plan in the Township's name. None of this balance was subject to custodial credit risk.

Investments

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

As of December 31, 2013, the Township Police Pension Plan had the following investments:

Investment Type	Fair Value
Exchange traded funds:	
Intermediate-term Bond ETFs	$ 562,294
International Market ETFs	541,129
Real Estate ETFs	105,233
Domestic Stock ETFs:	
Small-cap	253,596
Mid-cap	1,131,283
Large-cap	144,584
Total Investments	$ 2,738,119

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

Administrative Costs

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

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. In 2013, employees contributed three percent of eligible compensation into the plan. The state provides an

NOTE 9 POLICE PENSION PLAN (cont'd)

allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed basis. The remaining amortization period was at 14 years.

Funded Status and Funding Progress

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

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

The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

NOTE 10 NON-UNIFORMED PENSION PLAN

Plan descriptions 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 plan assets to INR Advisory Services, LLC.

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

Plan Membership

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

Active employees	13
Vested terminated employees	3
Total	16

Eligibility Requirements and Benefit Provisions

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

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

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

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

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

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

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

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

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 2013 were four percent of monthly regular salary, overtime, extra duty, and longevity pay.

Method Used to Value Investments

Investments are reported at fair value.

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. At December 31, 2013, the carrying amount of the Non-Uniformed Pension plan's deposits was $59,123, which is equal to the deposits in a depository account held by the trustee of the Plan in the Township's name. None of this balance was subject to custodial credit risk.

Investments

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

As of December 31, 2013, the Non-Uniformed Pension Plan had the following investments:

Investment Type	Fair Value
Exchange traded funds:	
Intermediate-term Bond ETFs	$ 208,392
International Market ETFs	200,628
Real Estate ETFs	38,994
Domestic Stock ETFs:	
Small-cap	53,546
Mid-cap	93,957
Large-cap	419,333
Total Investments	$ 1,014,850

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

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

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 2013, Non-Uniformed employees contributed four 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 and employee contributions must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed basis. The remaining amortization period was at 14 years.

Funded Status and Funding Progress

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

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

The schedule of funding progress presented as required supplementary information ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

NOTE 11 CONTINGENT LIABILITIES

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

NOTE 12 CAPITAL LEASES - LESSEE

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

The assets acquired through the capital leases are as follows:

Equipment - Corporate Networking Inc.	$ 101,506
Less: Accumulated depreciation	(7,613)
Total	$ 93,893

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

Year Ending December 31,	
2014	$ 34,608
Amount representing interest	(778)
Total	$ 33,830

NOTE 13 RISK MANAGEMENT

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

NOTE 14 ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The Township recognizes as revenue and expenses contributions made by the Commonwealth of Pennsylvania to the Township's Police and Non-Uniformed Pension Plans on behalf of the Township's employees. In fiscal year 2013, the State made contributions of $128,184. 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, 2013:

General Fund:

General government	$	39,001
Public safety	$	65,168
Public works	$	13,930

The excess expenditures in the general fund were covered by revenues exceeding budgeted amounts.

NOTE 16 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through July 14, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER UWCHLAN TOWNSHIP
SCHEDULE OF FUNDING PROGRESS - PENSION PLANS

REQUIRED SUPPLEMENTARY INFORMATION

Historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information required to be disclosed is as follows (for the last three biennial valuation dates):

POLICE PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	**Actuarial Value of Assets**	**Actuarial Accrued Liability**	**Percentage Funded (1)/(2)**	**Unfunded (assets in excess of) Accrued Liability (2)-(1)**	**Annual Covered Payroll**	**Unfunded Accrued Liability as a % of Payroll (4)/(5)**
1/1/09	1,467,037	1,750,036	83.8	282,999	794,055	35.6
1/1/11	1,945,516	2,201,468	88.4	255,952	845,149	30.3
1/1/13	2,665,508	2,883,107	92.5	217,599	923,018	23.6

NON UNIFORMED PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	**Actuarial Value of Assets**	**Actuarial Accrued Liability**	**Percentage Funded (1)/(2)**	**Unfunded (assets in excess of) Accrued Liability (2)-(1)**	**Annual Covered Payroll**	**Unfunded Accrued Liability as a % of Payroll (4)/(5)**
1/1/09	284,129	711,529	39.9	427,400	705,682	60.6
1/1/11	570,834	726,501	78.6	155,667	649,576	24.0
1/1/13	901,770	923,101	97.7	21,331	777,672	2.7

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

UPPER UWCHLAN TOWNSHIP
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

POLICE PENSION FUND

Year Ended December 31	Annual Required Contribution	Actual Contributions	Percentage Contributed
2007	74,103	74,103	100.0%
2008	114,334	114,334	100.0%
2009	114,361	114,361	100.0%
2010	113,681	113,681	100.0%
2011	168,002	168,002	100.0%
2012	177,831	153,404	86.3%
2013	177,548	207,032	116.6%

NON-UNIFORMED PENSION FUND

Year Ended December 31	Annual Required Contribution	Actual Contributions	Percentage Contributed
2007	68,309	68,309	100.0%
2008	102,412	102,412	100.0%
2009	109,108	109,108	100.0%
2010	99,825	99,825	100.0%
2011	97,889	97,889	100.0%
2012	76,759	53,462	69.6%
2013	78,208	103,252	132.0%

POLICE PENSION PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	15 years
Asset valuation method	Section 210(a) of Act 44
Actuarial assumptions:	
Investment rate of return	7.5% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	None

NON-UNIFORMED PENSION PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	15 years
Asset valuation method	Section 210(a) of Act 44
Actuarial assumptions:	
Investment rate of return	7.5% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	None

SUPPLEMENTARY INFORMATION

UPPER UWCHLAN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue Funds		
	Liquid Fuels Fund	Act 209 Fund	Total
ASSETS			
Cash and cash equivalents	$ 357,618	$ 114,624	$ 472,242
TOTAL ASSETS	$ 357,618	$ 114,624	$ 472,242
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 37,470	$ 2,378	$ 39,848
TOTAL LIABILITIES	37,470	2,378	39,848
FUND BALANCES:			
Restricted	320,148	112,246	432,394
TOTAL FUND BALANCES	320,148	112,246	432,394
TOTAL LIABILITIES AND FUND BALANCES	$ 357,618	$ 114,624	$ 472,242

UPPER UWCHLAN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds		
	Liquid Fuels Fund	Act 209 Fund	Total
REVENUES			
Interest	$ 415	$ 139	$ 554
Intergovernmental revenues	267,180	59,406	326,586
Other charges for service	-	53,771	53,771
TOTAL REVENUES	267,595	113,316	380,911
EXPENDITURES			
Public works	250,299	156,219	406,518
TOTAL EXPENDITURES	250,299	156,219	406,518
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,296	(42,903)	(25,607)
NET CHANGE IN FUND BALANCES	17,296	(42,903)	(25,607)
FUND BALANCES, BEGINNING OF YEAR	302,852	155,149	458,001
FUND BALANCES, END OF YEAR	$ 320,148	$ 112,246	$ 432,394

UPPER UWCHLAN TOWNSHIP
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013

	Non-Uniformed Pension Fund	Police Pension Fund	Total
ASSETS			
Cash and cash equivalents	$ 59,123	$ 155,936	$ 215,059
Prepaid pension payments	-	1,970	1,970
Prepaid expenses	3,900	4,100	8,000
Investments, at fair value:			
Exchange traded funds	1,014,850	2,738,119	3,752,969
TOTAL ASSETS	$ 1,077,873	$ 2,900,125	$ 3,977,998
LIABILITIES AND NET POSITION			
LIABILITIES	$ -	$ -	$ -
NET POSITION			
Restricted for pension benefits	1,077,873	2,900,125	3,977,998
TOTAL LIABILITIES AND NET POSITION	$ 1,077,873	$ 2,900,125	$ 3,977,998

UPPER UWCHLAN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Non-Uniformed Pension Fund	Police Pension Fund	Total
ADDITIONS			
Contributions:			
State aid	$ 50,497	$ 77,687	$ 128,184
Employer contribution	27,711	99,861	127,572
Employee contribution	33,603	29,564	63,167
Total Contributions	111,811	207,112	318,923
Investment income:			
Net realized/unrealized gain on investments	120,768	335,749	456,517
Interest and dividends	20,882	56,896	77,778
Net Investment Income	141,650	392,645	534,295
TOTAL ADDITIONS	253,461	599,757	853,218
DEDUCTIONS			
Benefits paid	-	7,882	7,882
Administrative expenses	3,100	3,100	6,200
TOTAL DEDUCTIONS	3,100	10,982	14,082
CHANGE IN PLAN NET POSITION	250,361	588,775	839,136
NET POSITION, BEGINNING OF YEAR	827,512	2,311,350	3,138,862
NET POSITION, END OF YEAR	$ 1,077,873	$ 2,900,125	$ 3,977,998

OTHER REPORT

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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*

July 14, 2014

Board of Supervisors
Upper Uwchlan Township
Chester Springs, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Upper Uwchlan Township, Chester Springs, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Upper Uwchlan Township's basic financial statements, and have issued our report thereon dated July 14, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP