

**UPPER PROVIDENCE TOWNSHIP**

**ANNUAL FINANCIAL REPORT**

*Year Ended December 31, 2013*

## **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Members of the Board of Supervisors  
Upper Providence Township  
Oaks, Pennsylvania

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 Providence Township as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Upper Providence Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Upper Providence Township's 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.

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

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

To the Members of the Board of Supervisors  
Upper Providence Township  
Oaks, Pennsylvania

### ***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 Providence Township as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 20, budgetary comparison information on page 48, pension plan funding progress on page 49 and postemployment benefits other than pension funding progress on page 50 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 Providence Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maillie LLP*

Oaks, Pennsylvania  
April 22, 2014

**UPPER PROVIDENCE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended December 31, 2013

Our discussion and analysis for Upper Providence Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

**FINANCIAL HIGHLIGHTS**

- The assets of the Township exceeded its liabilities by \$89,277,867 (net position).
- The Township's total net position decreased by \$640,762.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Township. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position.

Management's discussion and analysis (MD&A), prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

- The *statement of net position* focuses on resources available for future operations. This statement presents a snapshot view of the assets the Township owns, the liabilities it owes and the net difference.
- The *statement of activities* focuses on gross and net costs of Township programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- *Fund financial statements* focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column titled "Other Governmental Funds."

# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Township's Sewer Operating Fund and can be found in more detail beginning with the Statement of Net Position, Proprietary Funds. Fiduciary Funds are used to account for resources for the police and non-uniformed pension plans as well as the Township's post-retirement health benefit fund. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.

- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

Required Supplementary Information (RSI) is additional information consisting of budgetary comparisons for the General Fund and Parks and Recreation Fund, as well as the required schedules of funding progress for the pension and post-retirement health benefits.

Other Supplementary Information consists of a combining balance sheet and combining schedule of revenues, expenditures and changes in fund balances for the Other Governmental Funds.

## REPORTING THE TOWNSHIP AS A WHOLE

### Statistics

Tables of statistics provide information about real estate tax rates by jurisdiction for the last ten years. Upper Providence Township eliminated the real estate tax in the year 2001. Also listed are General Fund tax revenues by source, property tax levies and collections, assessed and estimated actual values of taxable property and the Township's ten largest employers.

### Statement of Net Position and Statement of Activities

Our analysis of the Township as a whole begins with the statement of net position. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. In these statements, we divide the Township into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including police, public works, safety and codes, parks and recreation and administration. Real estate transfer and earned income taxes, fees and charges and grants finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to customers to help it cover most of the cost of certain services it provides. The Township's sewer system is reported here.

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities, with comparative data from the fiscal year 2012.

**Table 1**  
**Statements of Net Position**  
**Years Ended December 31, 2012 and 2013**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and investments	\$ 12,833,409	\$ 14,268,282
Other assets	1,945,754	2,117,335
Capital assets	<u>49,224,802</u>	<u>47,356,091</u>
TOTAL ASSETS	<u>64,003,965</u>	<u>63,741,708</u>
<b>LIABILITIES</b>		
Other liabilities	<u>1,935,051</u>	<u>2,199,861</u>
<b>NET POSITION</b>		
Net investment in capital assets	49,224,802	47,356,091
Restricted	860,465	142,461
Unrestricted	<u>11,983,647</u>	<u>14,043,295</u>
TOTAL NET POSITION	<u>\$ 62,068,914</u>	<u>\$ 61,541,847</u>

Cash and investments represent 22.38% of Upper Providence Township's total governmental assets. Of this amount, \$5,425,494 is designated for capital expenditures.

By far the largest portion of the Township's governmental assets, 74.29%, reflects its investment in capital assets (e.g., land, buildings, streets, recreation equipment). The Township uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

Assets in the business-type activities column reflect the Township's investment in its sewer system. The Township operates and maintains two pumping stations and 121 miles of sewer lines. The \$22.9 million in cash and investments allows for future investment in the sewer facilities.

Accumulated depreciation reflects 45.40% of total capital assets for governmental activities and 54.99% of total capital assets for business-type activities. The percentage rates reflect the Township's continued commitment to provide services through effective and efficient use of resources.

Total change in net position is \$(527,067) for governmental activities and \$(113,695) for business-type activities.

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2012 to 2013</u>
<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	
\$ 23,212,626	\$ 22,892,879	\$ 36,046,035	\$ 37,161,161	3.09%
204,471	225,007	2,150,225	2,342,342	8.93%
4,443,548	5,044,131	53,668,350	52,400,222	-2.36%
<u>27,860,645</u>	<u>28,162,017</u>	<u>91,864,610</u>	<u>91,903,725</u>	0.04%
<u>10,930</u>	<u>425,997</u>	<u>1,945,981</u>	<u>2,625,858</u>	34.94%
4,443,548	5,044,131	53,668,350	52,400,222	-2.36%
20,478,049	19,643,558	21,338,514	19,786,019	-7.28%
2,928,118	3,048,331	14,911,765	17,091,626	14.62%
<u>27,849,715</u>	<u>27,736,020</u>	<u>89,918,629</u>	<u>89,277,867</u>	-0.71%

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Governmental Activities**

The Township generates governmental revenues from a variety of sources. Total revenues and transfers for governmental activities for fiscal 2013 were \$13,587,304. Revenues and transfers by source were as follows:

	<u>Amount</u>	<u>Percent of Total</u>
<b>REVENUES AND TRANSFERS</b>		
Per capita taxes	\$ 68,435	0.50%
Real estate transfer taxes	1,022,833	7.53%
Earned income taxes	7,847,803	57.76%
Local services tax	649,105	4.78%
Special assessments	56,080	0.41%
Franchise tax	480,599	3.54%
Public realty tax and licenses	10,481	0.08%
Interest income	53,688	0.40%
Gain on sale of capital assets	20,900	0.15%
Interfund transfers, net	159,209	1.17%
Miscellaneous	102,241	0.75%
Charges for services	1,482,981	10.91%
Operating grants and contributions	1,015,924	7.48%
Capital grants and contributions	<u>617,025</u>	<u>4.54%</u>
<b>TOTAL</b>	<b>\$ <u>13,587,304</u></b>	<b><u>100.00%</u></b>

The Township's governmental programs are broken down into six main cost centers, including general government, public safety, health and welfare, sanitation, highways and streets and culture and recreation. Total expenditures for fiscal 2013 were \$14,114,371. Expenditures by source were as follows:

	<u>Amount</u>	<u>Percent of Total</u>
<b>EXPENDITURES</b>		
General government	\$ 1,900,180	13.45%
Public safety	6,466,042	45.81%
Health and welfare	12,100	0.09%
Public works		
Sanitation	103,938	0.74%
Highways and streets	1,646,657	11.67%
Culture and recreation	1,055,314	7.48%
Depreciation (unallocated)	2,912,662	20.64%
Miscellaneous	<u>17,478</u>	<u>0.12%</u>
<b>TOTAL</b>	<b>\$ <u>14,114,371</u></b>	<b><u>100.00%</u></b>

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

For the most part, increases in expenses during fiscal 2013 were due to increased costs for public safety.

**Table 2**  
**Changes in Net Position**  
**Years Ended December 31, 2012 and 2013**

	Governmental Activities	
	<u>2012</u>	<u>2013</u>
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 1,273,655	\$ 1,482,981
Operating grants and contributions	522,743	1,015,924
Capital grants and contributions	1,239,620	617,025
General revenues		
Per capita taxes	61,023	68,435
Real estate transfer taxes	670,343	1,022,833
Earned income taxes	7,055,931	7,847,803
Local services tax	628,091	649,105
Special assessments	62,395	56,080
Franchise tax	451,645	480,599
Public realty tax and licenses	10,779	10,481
Interest income	42,935	53,688
Gain on sale of capital assets	-	20,900
Interfund transfers, net	179,396	159,209
Miscellaneous	136,066	102,241
	<u>12,334,622</u>	<u>13,587,304</u>
<b>EXPENSES</b>		
General government	1,971,744	1,900,180
Public safety	6,144,910	6,466,042
Health and welfare	12,000	12,100
Public works		
Sanitation	116,386	103,938
Highways and streets	1,543,086	1,646,657
Culture and recreation	944,296	1,055,314
Depreciation (unallocated)	2,992,557	2,912,662
Miscellaneous	11,414	17,478
Sewer	-	-
	<u>13,736,393</u>	<u>14,114,371</u>
<b>TOTAL REVENUES</b>	<u>12,334,622</u>	<u>13,587,304</u>
<b>TOTAL EXPENSES</b>	<u>13,736,393</u>	<u>14,114,371</u>
<b>CHANGE IN NET POSITION</b>	(1,401,771)	(527,067)
<b>NET POSITION, BEGINNING, restated</b>	<u>63,470,685</u>	<u>62,068,914</u>
<b>NET POSITION, ENDING</b>	<u>\$ 62,068,914</u>	<u>\$ 61,541,847</u>

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2012 to 2013</u>
<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	
\$ 2,520,271	\$ 2,332,354	\$ 3,793,926	\$ 3,815,335	0.56%
-	-	522,743	1,015,924	94.34%
-	-	1,239,620	617,025	-50.22%
-	-	61,023	68,435	12.15%
-	-	670,343	1,022,833	52.58%
-	-	7,055,931	7,847,803	11.22%
-	-	628,091	649,105	3.35%
-	-	62,395	56,080	-10.12%
-	-	451,645	480,599	6.41%
-	-	10,779	10,481	-2.76%
55,165	61,398	98,100	115,086	17.31%
-	-	-	20,900	0.00%
(179,396)	(159,209)	-	-	0.00%
-	-	136,066	102,241	-24.86%
<u>2,396,040</u>	<u>2,234,543</u>	<u>14,730,662</u>	<u>15,821,847</u>	7.41%
-	-	1,971,744	1,900,180	-3.63%
-	-	6,144,910	6,466,042	5.23%
-	-	12,000	12,100	0.83%
-	-	116,386	103,938	-10.70%
-	-	1,543,086	1,646,657	6.71%
-	-	944,296	1,055,314	11.76%
-	-	2,992,557	2,912,662	-2.67%
-	-	11,414	17,478	53.13%
<u>2,273,132</u>	<u>2,348,238</u>	<u>2,273,132</u>	<u>2,348,238</u>	3.30%
<u>2,273,132</u>	<u>2,348,238</u>	<u>16,009,525</u>	<u>16,462,609</u>	2.83%
122,908	(113,695)	(1,278,863)	(640,762)	49.90%
<u>27,726,807</u>	<u>27,849,715</u>	<u>91,197,492</u>	<u>89,918,629</u>	-1.40%
<u>\$ 27,849,715</u>	<u>\$ 27,736,020</u>	<u>\$ 89,918,629</u>	<u>\$ 89,277,867</u>	-0.71%

**UPPER PROVIDENCE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Year Ended December 31, 2013

**Culture and Recreation Highlights**

During 2011, the Township completed the recreation center at Anderson Farm Park which opened in June, 2011. Included in the new center is gym, fitness center, conference rooms and various other facilities. Recreational programs continue to be expanded at the center. The annual Community Day provided fireworks and fun for all age groups and was a huge success as always.

**General Fund Budgetary Highlights**

Development continues at the Township, but at a slower rate than prior years. Thus far, this development has not had an adverse effect on the Township's earned income tax revenues due to the increase of job opportunities.

The large shopping area on Route 29 and Arcola Road (Providence Town Center) in the Township will continue to create a need for additional public safety, which serves residents as well as commercial establishments. Although a few big establishments have opened, many of the small store quads remain vacant.

**Business-Type Activities**

Business-type activities comprise the Township's sewer system. Total revenue from this activity is \$2,393,752 (see changes in Business-Type Activities). Charges for services account for 97.44% of revenue. Quarterly sewer rental rates were \$19.50 since 1967, increased to \$25.00 per quarter on July 1, 2002, increased to \$45.00 per quarter in 2008, and an additional rate increase to \$48.50 took effect for 2013. The low rates were primarily due to a 40-year set contract with the Montgomery County Sewer Authority. In 2002, there was a takeover of ownership and operations of the Oaks Regional Sewage Treatment Plant by the Lower Perkiomen Valley Regional Sewer Authority (LPVRS), which has six members (including Upper Providence Township).

The fee increase was necessary to accommodate a planned expansion of the plant, as well as the increasing costs of operation due to stringent State and Federal mandates which resulted in the requirement for new and expensive technology. In addition, each municipality is responsible for ongoing maintenance and operation of its own collection system, including lines and pump stations.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Upper Providence Township's investment in capital assets for its governmental and business-type activities as of December 31, 2013, totals \$52,400,222 (net of accumulated depreciation). Township investment in capital assets includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, bridges, stormwater and sewer lines and traffic signals.

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Table 3**  
**Capital Assets at Year-End (Including Additions)**  
*Year Ended December 31, 2013*

	Balance at December 31, 2012	Net Additions	Balance at December 31, 2013
<b>GOVERNMENTAL ACTIVITIES</b>			
Capital assets not being depreciated			
Land	\$ 7,575,980	\$ -	\$ 7,575,980
Capital assets being depreciated			
Land improvements	3,351,180	44,812	3,395,992
Infrastructure	57,007,087	592,388	57,599,475
Automobiles	4,460,633	180,397	4,641,030
Building and improvements	9,858,958	40,220	9,899,178
Equipment, furniture and fixtures	3,486,148	136,388	3,622,536
	<u>85,739,986</u>	<u>994,205</u>	<u>86,734,191</u>
Accumulated depreciation	<u>(36,515,184)</u>	<u>(2,862,916)</u>	<u>(39,378,100)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</b>	<u>49,224,802</u>	<u>(1,868,711)</u>	<u>47,356,091</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Capital assets being depreciated			
Sewage system	10,356,390	849,717	11,206,107
Accumulated depreciation	<u>(5,912,842)</u>	<u>(249,134)</u>	<u>(6,161,976)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS</b>	<u>4,443,548</u>	<u>600,583</u>	<u>5,044,131</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 53,668,350</u>	<u>\$ (1,268,128)</u>	<u>\$ 52,400,222</u>

Property, plant, system infrastructure and equipment of the primary government are depreciated using the straight-line method.

Additional information on the Township's capital assets can be found in Notes A and D to the financial statements.

**Debt**

The Township had no outstanding debt at December 31, 2013 and 2012. Balances were paid in full during 2012.

**UPPER PROVIDENCE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
*Year Ended December 31, 2013*

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

**Economic Factors**

Upper Providence Township services an area of 18.2 square miles and a community of 21,219 residents (2010 census). Located along the Route 422 corridor in Montgomery County, Upper Providence Township has been one of the fastest growing communities in Pennsylvania for the last 15 years.

From 1990 to 2010, job growth rose 226% in Upper Providence to 14,674 jobs. Some of the world's most important medical advances come from three of Upper Providence's (and the world's) largest employers: Pfizer, GlaxoSmithKline and Quest Diagnostics. Combined, these companies employ nearly 175,000 people worldwide.

At the same time, the population grew 37% to 21,219 in 2010 over 2000. Homes built since 1990 comprise the majority of the Upper Providence housing stock.

As companies have expanded in Upper Providence, new residents and new businesses arrived, prompting more than 300,000 square feet in new retail space in 2001/02 alone. The Township's first contemporary hotel was built in 1998 (The Hampton Inn and Bob Evans Restaurant) along with Regal Cinema, a 24-screen movie theater. Target and Lowe's opened in the Oaks section of Upper Providence Township in 2001/02. BJ's Wholesale opened in 2009. A new Hilton Garden Inn hotel was built along Route 422. The big stores that opened at the Providence Town Center include Staples, Dick's Sporting Goods, LA Fitness Center, Best Buy, PetSmart, Five Below, Wegman's, Home Goods, Michael's, Raymour and Flanigan, Olive Garden, P.F. Chang's Restaurants, The Movie Tavern and Firebirds.

Collections of the earned income taxes are also a good indicator of local economic conditions. For 2013, the Township's collection of these taxes was \$7,847,803.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for funds it receives and disburses. If you have questions about this report or to request additional finance information (to include component units), please contact the Director of Finance at 1286 Black Rock Road, Oaks, PA 19456.

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Table 5**  
**General Fund Tax Revenues by Source**  
**Budget Basis (Unaudited)**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>Property (1)</u>	<u>Property Transfer (1)</u>	<u>Earned Income Tax</u>	<u>Per Capita Tax</u>	<u>Local Services Tax</u>	<u>Total Tax Revenues</u>
2004	\$ 2,336	\$ 1,305,642	\$ 4,968,559	\$ 52,759	\$ 63,616	\$ 6,392,912
2005	2,508	1,331,808	4,855,676	59,789	72,027	6,321,808
2006	213	1,587,261	6,015,183	62,234	76,061	7,740,952
2007	-	1,316,682	6,207,669	66,225	86,123	7,676,699
2008	-	670,072	7,209,889	57,016	507,747	8,444,724
2009	-	615,593	8,396,993	74,554	587,988	9,675,128
2010	-	565,763	7,081,082	62,128	651,986	8,360,959
2011	-	601,384	6,628,109	62,454	702,463	7,994,410
2012	-	670,343	7,055,931	61,023	628,091	8,415,388
2013	-	1,022,833	7,847,803	68,435	649,105	9,588,176

**NOTES:**

(1) Current, prior, delinquent and interim property (real estate) taxes.

Source: Upper Providence Township Financial Statements

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Table 6**  
**Property Tax Levies and Collections (Unaudited)**  
**Last Ten Fiscal Years**

Year	(1) Tax Levy	Current Tax Collections	Percent of Levied Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2004	\$ -	\$ -	N/A	\$ 2,336	\$ 2,336	N/A	-	N/A
2005	-	-	N/A	2,508	2,508	N/A	-	N/A
2006	-	-	N/A	213	213	N/A	-	N/A
2007	-	-	N/A	-	-	N/A	-	N/A
2008	-	-	N/A	-	-	N/A	-	N/A
2009	-	-	N/A	-	-	N/A	-	N/A
2010	-	-	N/A	-	-	N/A	-	N/A
2011	-	-	N/A	-	-	N/A	-	N/A
2012	-	-	N/A	-	-	N/A	-	N/A
2013	-	-	N/A	-	-	N/A	-	N/A

**NOTES:**

(1) Includes all Township millages.

Source: Upper Providence Township Real Estate Collector  
Upper Providence Township Finance Department

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**Year Ended December 31, 2013**

**Table 7**  
**Assessed and Estimated Actual Value of Taxable Property (Unaudited)**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Ratio of Total Assessed to Total Estimated Actual Value (1)</u>
2004	\$ 1,686,371,565	\$ 1,686,371,565	100.0
2005	1,753,308,240	1,753,308,240	100.0
2006	1,854,865,000	1,854,865,000	100.0
2007	1,925,274,850	1,925,274,850	100.0
2008	1,959,124,598	1,959,124,598	100.0
2009	1,999,815,038	1,999,815,038	100.0
2010	2,041,449,590	2,041,449,590	100.0
2011	1,955,568,835	1,955,568,835	100.0
2012	1,984,400,565	1,984,400,565	100.0
2013	2,026,313,185	2,026,313,185	100.0

**NOTES:**

- (1) Common level ratio published by the PA State Tax Equalization Board.
- (2) The last county-wide reassessment was conducted in 1998.

Source: Montgomery County Board of Assessment Appeals

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Table 8**  
**Property Tax Rates**  
**Direct and Overlapping Governments (Unaudited)**  
**Last Ten Fiscal Years**

Upper Providence Township has a uniform millage for all residents and businesses. There are two overlapping jurisdictions that also levy a real estate tax based on assessed value compiled by Montgomery County. These jurisdictions are the Spring Ford Area School District and Montgomery County.

<u>Year</u>	<u>Upper Providence Township</u>	<u>Spring-Ford Area School District</u>	<u>Montgomery County</u>	<u>Total Millage</u>
2004	0.00	18.94	2.84	21.78
2005	0.00	19.69	2.89	22.58
2006	0.00	20.40	2.89	23.29
2007	0.00	21.27	2.89	24.16
2008	0.00	22.19	2.70	24.89
2009	0.00	23.07	2.70	25.77
2010	0.00	23.53	2.89	26.42
2011	0.00	24.29	3.15	27.44
2012	0.00	24.77	3.15	27.92
2013	0.00	25.25	3.15	28.40

**NOTES:**

(1) A county-wide reassessment was conducted in 1998. The previous reassessment was completed in 1970.

Source: Upper Providence Township Real Estate Tax Collector

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**Year Ended December 31, 2013**

**Table 9**  
**Ten Largest Employers (Unaudited)**  
**2013**

	<u>Business Name</u>	<u>Type of Business</u>	<u>Employees</u>
1)	SEI Investments	Investments	2,142
2)	Wyeth Pharmaceuticals, Inc.	Pharmaceutical	1,430
3)	GlaxoSmithKline	Pharmaceutical	1,255
4)	Montgomery County	County	767
5)	Wegman's Food Market	Grocery Store	602
6)	Spring-Ford Area School District	Education	533
7)	Pfizer	Pharmaceutical	415
8)	Quest Diagnostics	Diagnostics	415
9)	Movie Tavern, Inc.	Entertainment	364
10)	Iron Mountain	Records	359
			<u>8,282</u>

**NOTES:**

(1) **The ten largest employers represent 50% of the total Township work force.**

Source: Upper Providence Township Earned Income Tax Collector

# UPPER PROVIDENCE TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

**Table 10**  
**Miscellaneous Statistics**  
**2013**

<b><u>Date Founded:</u></b>	1805			
<b><u>Form of Government:</u></b>	Township of the Second Class			
<b><u>Area:</u></b>	18.2 Square Miles 11,655 Acres			
<b><u>Population:</u></b>	1980:	9,551	2000:	15,398
	1990:	9,682	2010:	21,219
<b><u>Age Characteristics:</u></b>	Median Age:			38.2
	Percent Under 18:			22%
	Percent 18-64:			68%
	Percent 65 and over:			10%
<b><u>Fire Protection:</u></b>	Volunteer Fire Company: Black Rock Fire Company			
<b><u>Police Department:</u></b>	1 Station 24 Sworn Officers			
<b><u>Township Employees:</u></b>	30 Non-uniform 35 Part-time and seasonal			
<b><u>Race/Ethnicity:</u></b>	Caucasian: 90.7% African-American: 3.2% Asian: 5.4% Other: 0.7%			
<b><u>Miles of Roads/Streets:</u></b>	90			
<b><u>Sewer System:</u></b>	Miles of Sanitary Sewer: 121 Pumping Stations: 2 Daily Average Pumped: 3.67 Million Gallons/Day			

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Table 10 (Continued)**  
**Miscellaneous Statistics**  
**2013**

<u>Housing:</u>	<u>2000</u>	<u>2010</u>
Median Value of Owner-Occupied Units:	\$162,900	\$324,000
Average Household Size:	2.77	2.84
Housing by Type:		
One Unit Detached	3,330	4,340
One Unit Attached	1,613	2,333
Multiple Units	592	688
Other	<u>10</u>	<u>25</u>
Total Housing Units	5,545	7,386

<u>Finances:</u>	
Median Family Income:	\$129,306
Median Household Income:	\$110,053
Per Capita Income:	\$46,111
Individuals Below Poverty Level:	2.7%
Families Below Poverty Level:	1.9%

<u>Educational Achievement:</u>	
High School Graduates:	95.7%
College Graduates:	59.3%

Education:

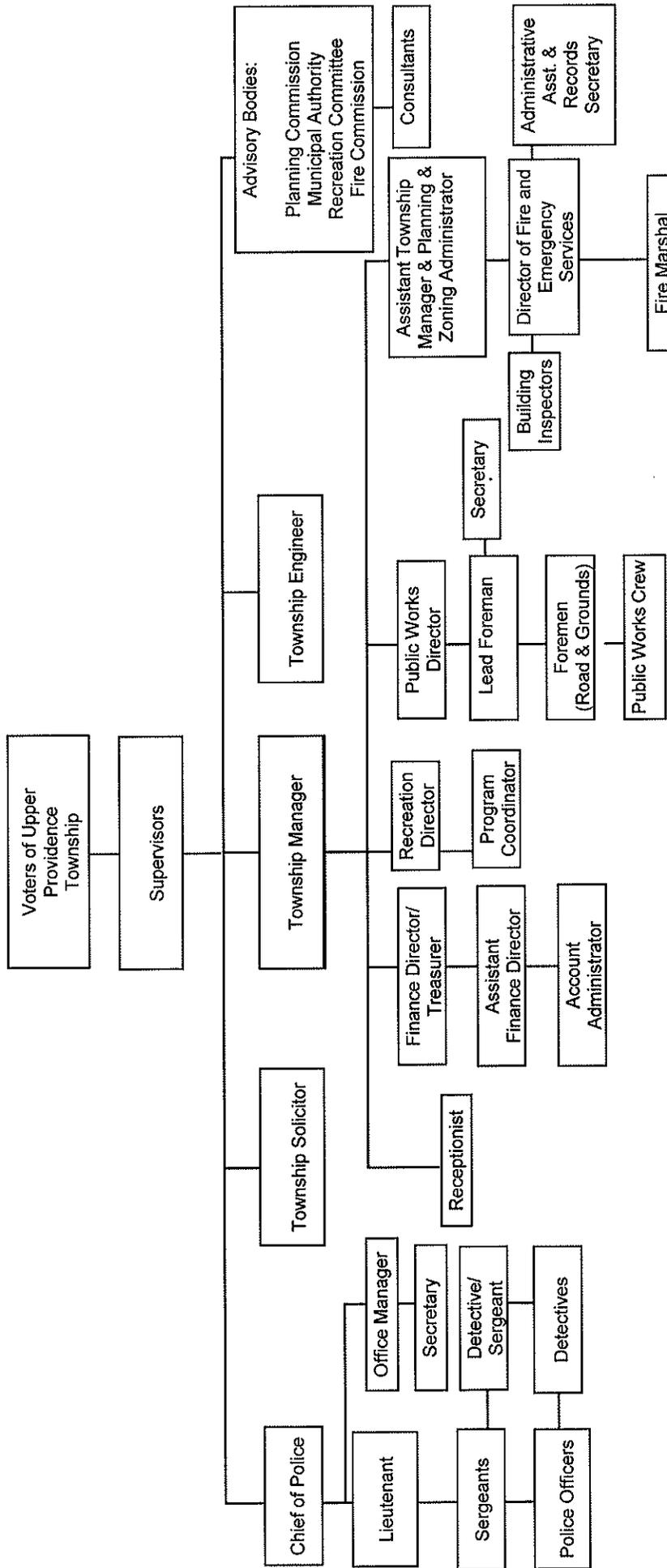
Education is provided by the Spring-Ford Area School District, which also services Limerick Township, Royersford Borough and Spring City Borough.

Number of Schools:	11	(7 Elementary, 3 Intermediate & 1 High School)
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Sources: U.S. Census Bureau (2000 & 2010 Census Data), Pennsylvania State Data Center, Spring-Ford Area School District, Township Records and American Community Survey (2008 - 2012)

**UPPER PROVIDENCE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2013*

**Organization Chart**  
**Upper Providence Township**



# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF NET POSITION

December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,354,219	\$ 2,841,018	\$ 16,195,237
Receivables	44,546	207,007	251,553
Taxes receivable	1,561,005	-	1,561,005
Notes receivable	288,475	-	288,475
Due from developers	82,578	-	82,578
Prepaid items	140,731	-	140,731
Restricted assets			
Cash equivalents	914,063	20,051,861	20,965,924
Deposits on EDU's	-	18,000	18,000
Capital assets			
Land	7,575,980	-	7,575,980
Land improvements	3,395,992	-	3,395,992
Sewer system	-	11,206,107	11,206,107
Infrastructure	57,599,475	-	57,599,475
Automobiles	4,641,030	-	4,641,030
Building and improvements	9,899,178	-	9,899,178
Equipment, furniture and fixtures	3,622,536	-	3,622,536
Accumulated depreciation	(39,378,100)	(6,161,976)	(45,540,076)
<b>TOTAL ASSETS</b>	<u>63,741,708</u>	<u>28,162,017</u>	<u>91,903,725</u>
<b>LIABILITIES</b>			
Accounts payable	392,695	425,997	818,692
Due to developers	914,063	-	914,063
Long-term liabilities			
Compensated absences	631,411	-	631,411
Other postemployment benefits	261,692	-	261,692
<b>TOTAL LIABILITIES</b>	<u>2,199,861</u>	<u>425,997</u>	<u>2,625,858</u>
<b>NET POSITION</b>			
Net investment in capital assets	47,356,091	5,044,131	52,400,222
Restricted	142,461	19,643,558	19,786,019
Unrestricted	14,043,295	3,048,331	17,091,626
<b>TOTAL NET POSITION</b>	<u>\$ 61,541,847</u>	<u>\$ 27,736,020</u>	<u>\$ 89,277,867</u>

See accompanying notes to the basic financial statements.

# UPPER PROVIDENCE TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities				
General government	\$ 1,900,180	\$ -	\$ -	\$ -
Public safety	6,466,042	1,036,175	538,437	-
Health and welfare	12,100	-	-	-
Public works				
Sanitation	103,938	-	-	-
Highways and streets	1,646,657	4,705	465,425	442,717
Culture and recreation	1,055,314	442,101	12,062	174,308
Depreciation (unallocated)	2,912,662	-	-	-
Miscellaneous	17,478	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>14,114,371</b>	<b>1,482,981</b>	<b>1,015,924</b>	<b>617,025</b>
Business-type activities				
Sewer and sewer capital	2,348,238	2,332,354	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 16,462,609</b>	<b>\$ 3,815,335</b>	<b>\$ 1,015,924</b>	<b>\$ 617,025</b>

### GENERAL REVENUES

Per capita taxes  
Real estate transfer taxes  
Earned income taxes  
Local services tax  
Special assessments  
Franchise tax  
Public realty tax and licenses  
Miscellaneous  
Interest and rents  
Gain on sale of capital assets

### TRANSFERS

Interfund transfers, net

### TOTAL GENERAL REVENUES AND TRANSFERS

### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activities</u>	
\$ (1,900,180)	\$ -	\$ (1,900,180)
(4,891,430)	-	(4,891,430)
(12,100)	-	(12,100)
(103,938)	-	(103,938)
(733,810)	-	(733,810)
(426,843)	-	(426,843)
(2,912,662)	-	(2,912,662)
(17,478)	-	(17,478)
<u>(10,998,441)</u>	<u>-</u>	<u>(10,998,441)</u>
<u>-</u>	<u>(15,884)</u>	<u>(15,884)</u>
<u>(10,998,441)</u>	<u>(15,884)</u>	<u>(11,014,325)</u>
68,435	-	68,435
1,022,833	-	1,022,833
7,847,803	-	7,847,803
649,105	-	649,105
56,080	-	56,080
480,599	-	480,599
10,481	-	10,481
102,241	-	102,241
53,688	61,398	115,086
20,900	-	20,900
<u>159,209</u>	<u>(159,209)</u>	<u>-</u>
<u>10,471,374</u>	<u>(97,811)</u>	<u>10,373,563</u>
(527,067)	(113,695)	(640,762)
<u>62,068,914</u>	<u>27,849,715</u>	<u>89,918,629</u>
<u>\$ 61,541,847</u>	<u>\$ 27,736,020</u>	<u>\$ 89,277,867</u>

# UPPER PROVIDENCE TOWNSHIP

## BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,579,752	\$ 5,425,494	\$ 2,348,973	\$ 13,354,219
Receivables	44,546	-	-	44,546
Taxes receivable	1,560,534	-	-	1,560,534
Notes receivable	-	288,475	-	288,475
Due from developers	82,578	-	-	82,578
Prepaid expenses	140,731	-	-	140,731
Restricted assets, cash and cash equivalents	914,063	-	-	914,063
<b>TOTAL ASSETS</b>	<b>\$ 8,322,204</b>	<b>\$ 5,713,969</b>	<b>\$ 2,348,973</b>	<b>\$ 16,385,146</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 304,479	\$ 23,300	\$ 64,916	\$ 392,695
Due to developers	914,063	-	-	914,063
<b>TOTAL LIABILITIES</b>	<b>1,218,542</b>	<b>23,300</b>	<b>64,916</b>	<b>1,306,758</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Prepaid expenses	140,731	-	-	140,731
Notes receivable	-	288,475	-	288,475
<b>Restricted</b>				
Escrows	82,578	-	-	82,578
Highway improvements	-	-	220,406	220,406
<b>Committed</b>				
Parks and recreation	-	-	2,063,651	2,063,651
<b>Assigned</b>				
Building improvements	-	1,654,340	-	1,654,340
Fire apparatus improvements	-	640,663	-	640,663
Equipment purchases	-	576,667	-	576,667
Transportation improvements	-	720,841	-	720,841
Open space acquisition	-	1,754,979	-	1,754,979
Storm/flood improvements	-	54,704	-	54,704
Unassigned	6,880,353	-	-	6,880,353
<b>TOTAL FUND BALANCES</b>	<b>7,103,662</b>	<b>5,690,669</b>	<b>2,284,057</b>	<b>15,078,388</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,322,204</b>	<b>\$ 5,713,969</b>	<b>\$ 2,348,973</b>	<b>\$ 16,385,146</b>

See accompanying notes to the basic financial statements.

**UPPER PROVIDENCE TOWNSHIP**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

*December 31, 2013*

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 15,078,388
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	7,575,980
Land improvements	3,395,992
Infrastructure	57,599,475
Automobiles	4,641,030
Building and improvements	9,899,178
Equipment, furniture and fixtures	3,622,536
Accumulated depreciation	(39,378,100)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Other postemployment benefits	(261,692)
Compensated absences	(631,411)
 Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables in the funds.	
	<u>471</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 61,541,847</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2013*

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes				
Per capita	\$ 68,435	\$ -	\$ -	\$ 68,435
Real estate transfer	1,022,833	-	-	1,022,833
Earned income	7,847,803	-	-	7,847,803
Local services tax	649,105	-	-	649,105
Licenses and permits	456,669	-	-	456,669
Fines and forfeits	83,618	-	-	83,618
Interest and rents	112,275	4,726	8,687	125,688
Intergovernmental	680,743	-	442,717	1,123,460
Charges for services	945,557	-	427,236	1,372,793
Contributions	384,100	-	186,370	570,470
Miscellaneous	86,321	-	-	86,321
<b>TOTAL REVENUES</b>	<u>12,337,459</u>	<u>4,726</u>	<u>1,065,010</u>	<u>13,407,195</u>
<b>EXPENDITURES</b>				
General government	1,901,238	19,955	-	1,921,193
Public safety	6,326,886	279,294	-	6,606,180
Health and welfare	12,100	-	-	12,100
Public works				
Sanitation	104,735	-	-	104,735
Highways and streets	1,516,986	429,110	320,181	2,266,277
Culture and recreation	655,957	110,154	416,029	1,182,140
Miscellaneous	17,478	-	-	17,478
<b>TOTAL EXPENDITURES</b>	<u>10,535,380</u>	<u>838,513</u>	<u>736,210</u>	<u>12,110,103</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,802,079</u>	<u>(833,787)</u>	<u>328,800</u>	<u>1,297,092</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	20,900	-	20,900
Interfund transfers in	159,209	2,154,844	-	2,314,053
Interfund transfers out	(401,000)	-	(1,753,844)	(2,154,844)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(241,791)</u>	<u>2,175,744</u>	<u>(1,753,844)</u>	<u>180,109</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,560,288	1,341,957	(1,425,044)	1,477,201
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>5,543,374</u>	<u>4,348,712</u>	<u>3,709,101</u>	<u>13,601,187</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 7,103,662</u>	<u>\$ 5,690,669</u>	<u>\$ 2,284,057</u>	<u>\$ 15,078,388</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

*Year Ended December 31, 2013*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,477,201
Capital outlays are reported in Governmental Funds 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 depreciation expense exceeds capital outlays in the current period.	(1,868,711)
Other postemployment benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.	(93,382)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.	<u>(42,175)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(527,067)</u></u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
*December 31, 2013*

	Enterprise Funds			Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	Municipal Authority	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,071,887	\$ -	\$ 1,769,131	\$ 2,841,018
Receivables	<u>207,007</u>	<u>-</u>	<u>-</u>	<u>207,007</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,278,894</u>	<u>-</u>	<u>1,769,131</u>	<u>3,048,025</u>
<b>NONCURRENT ASSETS</b>				
Restricted assets				
Cash equivalents	-	20,051,861	-	20,051,861
Deposits on EDU's	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
<b>TOTAL RESTRICTED ASSETS</b>	<u>18,000</u>	<u>20,051,861</u>	<u>-</u>	<u>20,069,861</u>
Capital assets				
Sewer system	-	11,206,107	-	11,206,107
Accumulated depreciation	<u>-</u>	<u>(6,161,976)</u>	<u>-</u>	<u>(6,161,976)</u>
<b>TOTAL CAPITAL ASSETS, net of accumulated depreciation</b>	<u>-</u>	<u>5,044,131</u>	<u>-</u>	<u>5,044,131</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>18,000</u>	<u>25,095,992</u>	<u>-</u>	<u>25,113,992</u>
<b>TOTAL ASSETS</b>	<u>1,296,894</u>	<u>25,095,992</u>	<u>1,769,131</u>	<u>28,162,017</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	<u>17,694</u>	<u>408,303</u>	<u>-</u>	<u>425,997</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	5,044,131	-	5,044,131
Restricted	-	19,643,558	-	19,643,558
Unrestricted	<u>1,279,200</u>	<u>-</u>	<u>1,769,131</u>	<u>3,048,331</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,279,200</u>	<u>\$ 24,687,689</u>	<u>\$ 1,769,131</u>	<u>\$ 27,736,020</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2013*

	Enterprise Funds			Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	Municipal Authority	
<b>OPERATING REVENUES</b>				
Charges for sales and services				
Sewer rents	\$ 2,016,239	\$ -	\$ -	\$ 2,016,239
Connection and other fees	316,115	-	-	316,115
<b>TOTAL OPERATING REVENUES</b>	<u>2,332,354</u>	<u>-</u>	<u>-</u>	<u>2,332,354</u>
<b>OPERATING EXPENSES</b>				
Contracted services	1,940,759	19,198	-	1,959,957
Supplies	11,377	-	-	11,377
Miscellaneous	17,617	10,010	1,116	28,743
Professional services	24,444	12,840	-	37,284
Repairs and maintenance	36,755	142	-	36,897
Electric and water	21,373	-	-	21,373
Insurance	3,473	-	-	3,473
Depreciation	-	249,134	-	249,134
<b>TOTAL OPERATING EXPENSES</b>	<u>2,055,798</u>	<u>291,324</u>	<u>1,116</u>	<u>2,348,238</u>
<b>OPERATING INCOME (LOSS)</b>	276,556	(291,324)	(1,116)	(15,884)
<b>NONOPERATING REVENUES</b>				
Earnings on investments	871	57,416	3,111	61,398
<b>INCOME (LOSS) BEFORE INTERFUND TRANSFERS</b>	277,427	(233,908)	1,995	45,514
<b>INTERFUND TRANSFERS</b>				
Transfers out	(159,209)	-	-	(159,209)
<b>CHANGE IN NET POSITION</b>	118,218	(233,908)	1,995	(113,695)
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>				
	<u>1,160,982</u>	<u>24,921,597</u>	<u>1,767,136</u>	<u>27,849,715</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,279,200</u>	<u>\$ 24,687,689</u>	<u>\$ 1,769,131</u>	<u>\$ 27,736,020</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2013*

	Enterprise Funds			Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	Municipal Authority	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,311,818	\$ -	\$ -	\$ 2,311,818
Payments to suppliers	<u>(2,038,166)</u>	<u>355,245</u>	<u>(1,116)</u>	<u>(1,684,037)</u>
<b>NET CASH PROVIDED (USED) BY         OPERATING ACTIVITIES</b>	<b>273,652</b>	<b>355,245</b>	<b>(1,116)</b>	<b>627,781</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to other funds	(159,209)	-	-	(159,209)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition, construction and improvement of capital assets	-	(849,717)	-	(849,717)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	<u>871</u>	<u>57,416</u>	<u>3,111</u>	<u>61,398</u>
<b>NET INCREASE (DECREASE) IN         CASH AND CASH EQUIVALENTS</b>	<b>115,314</b>	<b>(437,056)</b>	<b>1,995</b>	<b>(319,747)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>956,573</u>	<u>20,488,917</u>	<u>1,767,136</u>	<u>23,212,626</u>
<b>CASH AND CASH EQUIVALENTS         AT END OF YEAR</b>	<b>\$ <u>1,071,887</u></b>	<b>\$ <u>20,051,861</u></b>	<b>\$ <u>1,769,131</u></b>	<b>\$ <u>22,892,879</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 276,556	\$ (291,324)	\$ (1,116)	\$ (15,884)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	249,134	-	249,134
Increase in receivables	(20,536)	-	-	(20,536)
Increase in accounts payable	<u>17,632</u>	<u>397,435</u>	<u>-</u>	<u>415,067</u>
<b>NET CASH PROVIDED (USED) BY         OPERATING ACTIVITIES</b>	<b>\$ <u>273,652</u></b>	<b>\$ <u>355,245</u></b>	<b>\$ <u>(1,116)</u></b>	<b>\$ <u>627,781</u></b>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*December 31, 2013*

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Post-Retirement Health Benefit Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,451,615	\$ -	\$ 584,474
Investments	<u>5,007,008</u>	<u>4,597,364</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,458,623</u>	<u>\$ 4,597,364</u>	<u>\$ 584,474</u>
<b>NET POSITION</b>			
Reserved for plan participants	<u>\$ 7,458,623</u>	<u>\$ 4,597,364</u>	<u>\$ 584,474</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2013*

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Post-Retirement Health Benefit Fund</u>
<b>ADDITIONS</b>			
Contributions, employer and Commonwealth	\$ 355,391	\$ 415,877	\$ -
Investment income			
Interest and dividends	206,640	63,054	332
Gain (loss) on sales	(1,702)	135,573	-
Increase in fair market value of assets	<u>644,065</u>	<u>379,461</u>	<u>-</u>
<b>TOTAL ADDITIONS</b>	<u>1,204,394</u>	<u>993,965</u>	<u>332</u>
<b>DEDUCTIONS</b>			
Administrative expenses	9,750	31,614	-
Payments to participants	<u>59,701</u>	<u>115,493</u>	<u>9,749</u>
<b>TOTAL DEDUCTIONS</b>	<u>69,451</u>	<u>147,107</u>	<u>9,749</u>
<b>CHANGE IN NET POSITION</b>	1,134,943	846,858	(9,417)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>6,323,680</u>	<u>3,750,506</u>	<u>593,891</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 7,458,623</u>	<u>\$ 4,597,364</u>	<u>\$ 584,474</u>

*See accompanying notes to the basic financial statements.*

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Upper Providence Township (the "Township") operates under a three-member Board of Supervisors and provides public safety, health and welfare, public works, culture and recreation, conservation and development, public improvements, planning and zoning and general administrative services.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**Reporting Entity**

The Township, for financial purposes, includes all of the funds relevant to the operation of Upper Providence Township, except as noted.

The Township utilizes Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. In evaluating the Township as a primary government, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity is financial accountability and the nature and significance of the relationship.

The basic financial statements of the Township include the Upper Providence Township Municipal Authority (the "Authority"), a body corporate and politic incorporated on July 3, 1963, under the Municipal Authorities Act of 1945, P. L. 382, as amended, pursuant to ordinances enacted by the Township and is blended in these financial statements under the governing criteria of governmental accounting and financial reporting standards.

The Authority is a "lease-back authority," the purpose of which is to borrow money to finance the construction or acquisition of needed facilities. These facilities are leased back to the Township, which operates them and is responsible for their proper management. As of December 31, 2013, no lease payments were required.

Separately issued financial statements of the Authority are available for public inspection at the Township's office.

**Fund Accounting**

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Township are grouped into the categories governmental, proprietary and fiduciary.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

The Township reports the following major Governmental Funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by the Proprietary Funds).

The Township reports the following major Proprietary Funds:

The *Sewer Revenue Fund*, *Sewer Capital Funds* and *Municipal Authority* are used to account for sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the Township reports the following nonmajor Governmental Funds:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These funds account for the *State Liquid Fuels Highway Aid Fund* and *Parks and Recreation Fund*, which are used to account for all financial resources that are legally restricted to expenditures for specified purposes.

The Township reports the following Fiduciary Funds:

The *Police Pension Fund*, *Non-Uniformed Pension Fund* and *Post-Retirement Health Benefit Fund* are used to account for assets held by the Township in a trustee capacity for the benefit of plan participants. The reporting focus of these funds is on net position and changes in net position.

**Basis of Presentation and Accounting**

The basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

***Fund Financial Statements*** - Fund financial statements report detailed information about the Township. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor Governmental Funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

Proprietary 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 Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer charges. Operating expenses for the Township's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of one year or less are considered cash equivalents.

**Investments**

Investments are reported at fair value pursuant to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB Statement No. 31, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

	<u>Years</u>
Land and improvements	15-20
Sewer system	10-40
Infrastructure	15-50
Automobiles	3-5
Building and improvements	7-40
Equipment, furniture and fixtures	3-7

**Accrued Compensated Absences**

Effective January 1, 2002, employees, upon retirement, will receive compensation for one third of total sick days accumulated, with a maximum of 60 days.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

The Township accrues sick days at one third of total sick days accumulated, which represents the Township's liability.

**Tax Collection**

The tax collector is an elected official who is responsible for collecting taxes on behalf of the Township, County and School District. The Township regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

**Use of Estimates**

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

**Fund Balance and GASB Statement No. 54**

Beginning with the year ended December 31, 2011, the Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The details of the fund balances are included in the Governmental Funds balance sheet (page 23).

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has no types of items that qualify for reporting in this category.

**NOTE B CASH AND INVESTMENTS**

The Township's cash and cash equivalents consist of deposits with financial institutions and certificates of deposit with original maturities of one year or less.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are collateralized under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of depository insurance limits. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2013, the carrying amount of the Township's deposits was \$40,228,080 and the bank balance was \$40,197,250. Of the bank balance, \$750,000 was covered by depository insurance. However, \$12,357,955 of the deposits exceeded the FDIC insurance coverage and was properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. Cash deposits of the Township totaling \$27,089,295 are in the Pennsylvania Local Government Investment Trust (PLGIT) and are uninsured. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and is rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**Investments**

The Township's investments consist of certificates of deposit and mutual funds.

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

<u>Investment Type</u>	<u>Investment Maturities</u>		<u>Fair Value</u>
	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	
<b>INVESTMENTS OF POLICE AND NON-UNIFORMED PENSION FUNDS</b>			
Certificates of deposit	\$ 277,795	\$ 1,191,442	\$ 1,469,237
Invested in PSAB Municipal Retirement Trust	4,597,364	-	4,597,364
Limited partnership interests	18,750	-	18,750
Mutual funds primarily invested in U.S. securities	2,265,712	-	2,265,712
Mutual funds primarily invested in foreign securities	<u>1,253,309</u>	<u>-</u>	<u>1,253,309</u>
	<u>\$ 8,412,930</u>	<u>\$ 1,191,442</u>	<u>\$ 9,604,372</u>

**Interest Rate Risk** - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits investments in obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The Township has no investment policy that would further limit its investment choices.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**Concentration of Credit Risk** - The Township places no limit on the amount the Township may invest in any one issuer. More than 5% of the Township's police pension investments are invested in the following items:

Fairholme Mutual Fund (mostly U.S. securities).....	8.45%
Longleaf Partners Mutual Fund (mostly U.S. securities).....	8.24%
Longleaf Partners Small Cap Mutual Fund (mostly U.S. securities) .....	10.07%
Oakmark Global Mutual Fund (mostly U.S. securities).....	8.35%
Vanguard Primecap Mutual Fund (mostly U.S. securities) .....	10.14%
Harbor International Fund (mostly foreign securities).....	5.36%
Longleaf Partners International Fund (mostly foreign securities) .....	5.36%
Oakmark International Mutual Fund (mostly foreign securities) .....	7.71%
Third Avenue International Mutual Fund (mostly foreign securities) .....	6.59%
Discover Bank Certificate of Deposit, 1.05%, matures in April 2015....	5.02%
Goldman Sachs Bank Certificate of Deposit, 1.05%, matures in April 2015.....	5.01%

In the Police Pension Fund, less than 1% of the total investments is in various limited partnerships.

**NOTE C RECEIVABLES**

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Other receivables	\$ 44,546	\$ -	\$ 44,546
Earned income tax	1,378,573	-	1,378,573
Real estate transfer taxes	58,289	-	58,289
Local services tax	124,143	-	124,143
Sewer rents, assessments and connections receivable	<u>-</u>	<u>207,007</u>	<u>207,007</u>
	<u>\$ 1,605,551</u>	<u>\$ 207,007</u>	<u>\$ 1,812,558</u>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**NOTE D CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance at December 31, 2012	Additions	Deletions	Balance at December 31, 2013
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 7,575,980	\$ -	\$ -	\$ 7,575,980
Capital assets being depreciated				
Land improvements	3,351,180	44,812	-	3,395,992
Infrastructure	57,007,087	592,388	-	57,599,475
Automobiles	4,460,633	210,523	(30,126)	4,641,030
Building and improvements	9,858,958	40,220	-	9,899,178
Equipment, furniture and fixtures	3,486,148	156,008	(19,620)	3,622,536
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>78,164,006</b>	<b>1,043,951</b>	<b>(49,746)</b>	<b>79,158,211</b>
Accumulated depreciation				
Land improvements	(1,236,042)	(169,478)	-	(1,405,520)
Infrastructure	(26,606,659)	(1,775,060)	-	(28,381,719)
Automobiles	(3,614,247)	(437,021)	30,126	(4,021,142)
Building and improvements	(2,166,570)	(252,859)	-	(2,419,429)
Equipment, furniture and fixtures	(2,891,666)	(278,244)	19,620	(3,150,290)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(36,515,184)</b>	<b>(2,912,662)</b>	<b>49,746</b>	<b>(39,378,100)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>41,648,822</b>	<b>(1,868,711)</b>	<b>-</b>	<b>39,780,111</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>49,224,802</b>	<b>(1,868,711)</b>	<b>-</b>	<b>47,356,091</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Sewer system	10,356,390	849,717	-	11,206,107
Accumulated depreciation	(5,912,842)	(249,134)	-	(6,161,976)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>4,443,548</b>	<b>600,583</b>	<b>-</b>	<b>5,044,131</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 53,668,350</b>	<b>\$ (1,268,128)</b>	<b>\$ -</b>	<b>\$ 52,400,222</b>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**NOTE E NOTES RECEIVABLE FROM FIRE COMPANIES**

**Capital Projects Fund**

On October 21, 1999, the Township entered into an agreement to loan \$400,000 to a local fire company. The note is to be repaid to the Township in 30 yearly installments of \$13,333, with 0% interest per annum.

On May 31, 2005, the Township loaned an additional \$300,567 to a local fire company. The note is to be repaid to the Township in 12 yearly installments of \$25,728, including \$681 of interest per annum.

1999 note receivable from fire company	\$ 213,333
2005 note receivable from fire company	<u>75,142</u>
	<u>\$ 288,475</u>

**NOTE F RETIREMENT COMMITMENTS**

**Police Pension Plan**

The Township has a defined benefit contribution plan covering all of its police personnel. Normal retirement can be at age 55 with 25 years of service at 50% of average compensation adjusted by accrued benefits. Effective January 1, 1999, the police officers may retire upon completion of 20 years active duty service. The amount of pension benefits payable shall be reduced by a ratio of years of service at retirement divided by years of service at the superannuation retirement date and shall be further actuarially reduced for early pay out. The ratio shall be as follows:

20 years .....	20/25th
21 years .....	21/25th
22 years .....	22/25th
23 years .....	23/25th
24 years .....	24/25th
25 years .....	Full retirement

Member personnel are 100% vested after 12 years of service. Death and disability benefit provisions parallel retirement benefit provisions. Member personnel are not required to contribute. The value of plan assets was \$7,458,623 at December 31, 2013. The Township paid 100% of the required contribution of \$355,391, \$369,171 and \$368,345 in each of the past three years, which also included state aid of \$178,680, \$157,349 and \$185,555 for 2013, 2012 and 2011, respectively.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**Non-Uniformed Pension Plan**

The Township has a defined benefit pension plan covering its non-uniformed personnel after completion of one-half year of service with 1,000 hours of service per year. Effective May 2, 2005, the plan was amended as follows:

Each participant who shall become entitled to a benefit pursuant to Section 4.01 shall receive a benefit commencing on the normal retirement date payable in the normal form in a monthly amount equal to 2% of the participant's average monthly compensation multiplied by the participant's years of credited service up to a maximum benefit of 50%. Notwithstanding the preceding, the normal retirement benefit payable to any employee who is an active participant of the plan as of the effective date of this resolution shall be no less than the amount as calculated under the prior normal retirement benefit which is equal to 1.5% of the participant's average monthly compensation multiplied by the participant's years of credited service (no maximum percent). Further, the minimum monthly normal retirement benefit for any employee who was a participant of the plan on January 1, 1999, is 25% of average monthly compensation.

The benefit amount of any former participant who terminated, retired, or who applied for and was accepted as a DROP participant prior to the effective date of this amendment shall not in any way be altered by the provisions of this amendment. Benefits of such former participants shall continue to be determined on the basis of the terms of the plan in effect on the date of their retirement, termination, or DROP participation date, as applicable.

Early retirement may be attained at age 55 after ten years of service. Member personnel are 100% vested after ten years of service. Death and disability benefit provisions parallel normal retirement benefit provisions. Member personnel are not required to contribute. The value of plan assets was \$4,597,364 at December 31, 2013. Contributions to the plan included a Township allocation of \$295,462, \$296,039 and \$308,081 and a state allocation of \$120,415, \$110,859 and \$167,893 for 2013, 2012 and 2011, respectively. At December 31, 2013, approximately 93% of the Township's assets are allocated to equity and mutual funds and 7% is allocated to fixed income investments.

At January 1, 2013 (the most recent valuation date), the membership of the Township's pension plans consisted of:

	<u>Police Pension</u>	<u>Non- Uniformed Pension</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4	13
Current active members	23	30

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**Summary of Significant Accounting Policies**

**Basis of Accounting** - The pension plans' financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

**Method Used to Value Investments** - Investments are reported at fair value, which is used to determine the indicated contribution.

**Financial Reporting** - Separate financial statements are not issued on the pension plans.

The most recent actuarial valuation is as of January 1, 2013. Details of the reports are set forth below.

	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>
<b>ACTUARIAL VALUATION REPORT, JANUARY 1, 2013</b>		
Actuarial valuations		
Present value of future benefits	\$ 10,979,362	\$ 7,913,041
Present value of future normal costs	3,397,682	2,382,827
Accrued liability	7,581,680	5,530,214
Value of assets	6,323,680	3,750,508
Unfunded accrued liability	1,258,000	1,779,706
Normal cost	296,695	219,530
Normal cost to payroll	12.92%	11.09%
Annual covered payroll (estimated 2013/ actual 2012)	\$ 2,295,754	\$ 1,978,824
Assumptions to compute benefit obligations		
Annual return	8.00%	7.25%
Annual salary increase	5.50%	5.50%

The "Municipal Pension Plan Funding Standard and Recovery Act of 1984" (Act 205) specifies the funding obligation of the Township (the employer).

The schedule of funding progress is presented in the required supplementary information following the notes to the basic financial statements.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**Seven-Year Historical Data**

***Police Pension Plan***

<u>Year</u>	<u>Revenue by Source</u>		<u>Expense by Type</u>	
	<u>Employer Contribution*</u>	<u>Net Investment Income</u>	<u>Pension Payments</u>	<u>Other Expenses</u>
2007	\$ 98,759	\$ 294,917	\$ 53,433	\$ 12,309
2008	93,563	(761,949)	54,977	21,261
2009	86,914	728,271	56,443	12,384
2010	219,542	423,480	56,534	11,247
2011	182,790	(258,373)	57,591	12,349
2012	211,822	536,600	59,292	14,317
2013	176,711	849,003	59,701	9,750

\*Excludes Commonwealth contribution.

***Non-Uniformed Pension Plan***

<u>Year</u>	<u>Revenue by Source</u>		<u>Expense by Type</u>	
	<u>Employer Contribution*</u>	<u>Net Investment Income</u>	<u>Pension Payments</u>	<u>Other Expenses</u>
2007	\$ 184,986	\$ 100,665	\$ 60,240	\$ 15,150
2008	254,298	(349,749)	151,371	12,964
2009	283,811	312,227	81,696	19,271
2010	355,061	273,654	63,835	18,461
2011	308,081	(111,536)	73,566	24,720
2012	296,039	280,140	108,287	23,592
2013	295,462	578,088	115,493	31,614

\*Excludes Commonwealth contribution.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**NOTE G OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Township provides medical insurance benefits to eligible retired employees through two single-employer defined contribution plans, the police other postemployment benefit plan and the non-uniform other postemployment benefit plan. The benefits, benefits level and employer contribution are administered by Township Supervisors and can be amended by the Township through its personnel manual and union contracts. The plans are accounted for as a trust fund and reported in the financial statements as a Fiduciary Fund. The plans do not issue a stand-alone financial report.

**Funding Policy**

The Township contributes \$750 per year of service for non-uniform employees and \$910 per year of service for police officers. During 2011, the police other postemployment benefit plan was amended, providing retirees with the option of being maintained on the existing health plan provided to active police officers, which will continue until the retired officer becomes eligible to receive benefits through Medicare. The Township will pay 100% of the premium costs associated with coverage for the retiree only. The costs of administering the plans are paid by the Township. No contributions were made to the plans during 2013.

**Annual OPEB Cost and Net OPEB Obligation**

The Township's police plan annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the police plan:

Normal cost	\$ 55,399
Amortization of unfunded actuarial accrued liability	36,108
Interest	4,575
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>96,082</u>
Interest on net OPEB obligation	8,416
Adjustment to ARC	<u>(11,116)</u>
ANNUAL OPEB EXPENSE	93,382
Net OPEB contributions during the year	<u>-</u>
INCREASE IN NET OPEB OBLIGATION	93,382
Net OPEB obligation at beginning of year	<u>168,310</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 261,692</u>

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 96,082	24%	\$ 73,332
2012	94,978	0%	168,310
2013	93,382	0%	261,692

2011 was the first year that an actuarial valuation was required due to the amendment made to the Township's police OPEB plan.

**Funded Status and Funding Progress**

As of January 1, 2011, the actuarial accrued liability for benefits under the Township's police OPEB plan was \$1,154,525 and the actuarial value of assets was \$571,710. The covered payroll (annual payroll of active police employees covered by the plan) was \$2,104,794, and the ratio of the UAAL to the covered payroll was 27.69%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% in 2011, decreasing by 1% per year to 5% in 2015. Retirement was assumed to take place at age 58 and 28 years of service, which is based on the premise that police officers will enter the DROP at normal retirement age and remain in the plan for three years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, is 27 years.

**UPPER PROVIDENCE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2013*

**NOTE H CONTINGENCIES**

The Township may be involved in various claims and legal actions arising during the normal course of business. As of the date of this report, the outcome and financial impact of any actions cannot be determined but is not expected to have a material effect on the Township's financial position.

**NOTE I INTERFUND TRANSFERS**

Interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sewer Revenue Fund	\$ 159,209
Capital Projects Fund	General Fund	401,000
Capital Projects Fund	Parks and Recreation Fund	<u>1,753,844</u>
		<u>\$ 2,314,053</u>

Transfers from the Sewer Revenue Fund to the General Fund are for the purpose of reimbursing the General Fund for salary and related costs. All other transfers represent allocations from the General Fund and Parks and Recreation Fund for the purpose of purchasing and constructing capital assets or funding operations.

**NOTE J PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to correct the receivables balance on the Sewer Revenue Fund. As a result of the adjustment, the beginning net position of the Sewer Revenue Fund increased \$123,124 from \$1,037,858 to \$1,160,982 and the prior period change in net position increased \$123,124 from \$307,536 to \$430,660 in the Proprietary Funds. In addition, the beginning net position of the business-type activities in the government-wide statements increased by \$123,124 from \$27,726,591 to \$27,849,715 and the prior period change in net position increased \$123,124 from \$(216) to \$122,908.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER PROVIDENCE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended December 31, 2013*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Per capita				
Current	\$ 51,000	\$ 51,000	\$ 57,983	\$ 6,983
Delinquent	8,500	8,500	10,452	1,952
Real estate transfer	550,000	550,000	1,022,833	472,833
Earned income	6,600,000	6,600,000	7,847,803	1,247,803
Local services tax	700,000	700,000	649,105	(50,895)
Licenses and permits	420,350	420,350	456,669	36,319
Fines and forfeits	92,500	92,500	83,618	(8,882)
Interest and rents	105,000	105,000	112,275	7,275
Intergovernmental	556,515	556,515	680,743	124,228
Charges for services	547,325	547,325	945,557	398,232
Contributions	43,500	43,500	384,100	340,600
Miscellaneous	88,621	88,621	86,321	(2,300)
<b>TOTAL REVENUES</b>	<b>9,763,311</b>	<b>9,763,311</b>	<b>12,337,459</b>	<b>2,574,148</b>
<b>EXPENDITURES</b>				
General government	1,917,235	1,917,235	1,901,238	15,997
Public safety	6,170,019	6,272,621	6,326,886	(54,265)
Health and welfare	12,000	12,000	12,100	(100)
Public works				
Sanitation	112,920	112,920	104,735	8,185
Highways and streets	1,603,373	1,603,373	1,516,986	86,387
Culture and recreation	708,754	708,754	655,957	52,797
Miscellaneous	29,699	29,699	17,478	12,221
<b>TOTAL EXPENDITURES</b>	<b>10,554,000</b>	<b>10,656,602</b>	<b>10,535,380</b>	<b>121,222</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(790,689)</b>	<b>(893,291)</b>	<b>1,802,079</b>	<b>2,695,370</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	746,689	746,689	159,209	(587,480)
Interfund transfers out	(401,000)	(401,000)	(401,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>345,689</b>	<b>345,689</b>	<b>(241,791)</b>	<b>(587,480)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (445,000)</b>	<b>\$ (547,602)</b>	<b>1,560,288</b>	<b>\$ 2,107,890</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>			<b>5,543,374</b>	
<b>FUND BALANCES AT END OF YEAR</b>			<b>\$ 7,103,662</b>	

**UPPER PROVIDENCE TOWNSHIP**  
**PENSION PLAN FUNDING PROGRESS**  
*Year Ended December 31, 2013*

**SCHEDULE OF FUNDING PROGRESS**

	Valuation Year		
	2009	2011	2013
<b>POLICE PENSION PLAN</b>			
Actuarial value of assets	\$ 3,837,196	\$ 5,451,486	\$ 6,323,680
Actuarial accrued liability	4,821,488	6,068,245	7,581,680
Percent funded	79.59%	89.84%	83.41%
Unfunded accrued liability	\$ 984,292	\$ 616,759	\$ 1,258,000
Annual covered payroll	1,861,229	2,104,794	2,295,754
Unfunded liability as a percent to payroll	52.88%	29.30%	54.80%
<b>NON-UNIFORMED PENSION PLAN</b>			
Actuarial value of assets	\$ 1,703,290	\$ 2,929,196	\$ 3,750,508
Actuarial accrued liability	3,384,038	4,226,498	5,530,214
Percent funded	50.33%	69.31%	67.82%
Unfunded accrued liability	\$ 1,680,748	\$ 1,297,302	\$ 1,779,706
Annual covered payroll	1,653,243	1,944,329	1,978,824
Unfunded liability as a percent to payroll	101.66%	66.72%	89.94%

**UPPER PROVIDENCE TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER**  
**THAN PENSION FUNDING PROGRESS**  
*Year Ended December 31, 2013*

**SCHEDULE OF FUNDING PROGRESS**

**Police Other Postemployment Benefit Plan**

<u>Valuation Date</u> January 1,	<u>(a)</u> Actuarial Value of Assets	<u>(b)</u> Entry Age Actuarial Accrued Liability (AAL)	<u>(c)</u> Unfunded AAL (UAAL) (b)-(a)	<u>(d)</u> Funded Ratio (a)/(b)	<u>(e)</u> Covered Payroll	<u>(f)</u> UAAL as a Percentage of Covered Payroll (c)/(e)
2011	\$ <u>571,710</u>	\$ <u>1,154,525</u>	\$ <u>582,815</u>	<u>49.52%</u>	\$ <u>2,104,794</u>	<u>27.69%</u>

## **SUPPLEMENTARY INFORMATION SECTION**

**UPPER PROVIDENCE TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
*December 31, 2013*

	<u>Special Revenue Funds</u>		
	<u>State Liquid Fuels Highway Aid Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>269,956</u>	\$ <u>2,079,017</u>	\$ <u>2,348,973</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ <u>49,550</u>	\$ <u>15,366</u>	\$ <u>64,916</u>
<b>FUND BALANCES</b>			
Restricted, highway improvements	220,406	-	220,406
Committed, parks and recreation	<u>-</u>	<u>2,063,651</u>	<u>2,063,651</u>
<b>TOTAL FUND BALANCES</b>	<u>220,406</u>	<u>2,063,651</u>	<u>2,284,057</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 269,956</u>	<u>\$ 2,079,017</u>	<u>\$ 2,348,973</u>

**UPPER PROVIDENCE TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2013*

	<u>Special Revenue Funds</u>		
	<u>State Liquid Fuels Highway Aid Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Other Governmental Funds</u>
<b>REVENUES</b>			
Interest and rents	\$ 184	\$ 8,503	\$ 8,687
Intergovernmental	442,717	-	442,717
Charges for services	-	427,236	427,236
Contributions	-	186,370	186,370
	<u>442,901</u>	<u>622,109</u>	<u>1,065,010</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Public works, highways and streets	320,181	-	320,181
Culture and recreation	-	416,029	416,029
<b>TOTAL EXPENDITURES</b>	<u>320,181</u>	<u>416,029</u>	<u>736,210</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	122,720	206,080	328,800
<b>OTHER FINANCING USES</b>			
Interfund transfers out	-	(1,753,844)	(1,753,844)
<b>NET CHANGE IN FUND BALANCES</b>	122,720	(1,547,764)	(1,425,044)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>97,686</u>	<u>3,611,415</u>	<u>3,709,101</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 220,406</u>	<u>\$ 2,063,651</u>	<u>\$ 2,284,057</u>