

UPPER PROVIDENCE TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2017

INTRODUCTORY SECTION

UPPER PROVIDENCE TOWNSHIP

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UPPER PROVIDENCE TOWNSHIP

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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, 2017, 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.

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, 2017, 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).

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

Emphasis of Matter

For the year ended December 31, 2017, Upper Providence Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter.

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 19, budgetary comparison information on pages 69 and 70, pension plan information on pages 71 through 79 and postemployment benefits other than pension information on pages 80 through 83 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.

Maille LLP

Oaks, Pennsylvania
October 8, 2018

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 \$85,424,260 (net position).
- The Township's total net position increased by \$2,116,362.

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 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.

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

- *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.

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, Firefighters' 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.

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, and it was not increased from zero mills until 2017. 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, 2017

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 2016.

Table 1
Statements of Net Position
Years Ended December 31, 2016 and 2017

	Governmental Activities	
	2016	2017
ASSETS		
Cash and investments	\$ 14,894,693	\$ 14,779,854
Other assets	2,580,610	2,552,823
Internal balances	(4,199,949)	(3,825,000)
Capital assets	48,672,585	51,390,240
TOTAL ASSETS	<u>61,947,939</u>	<u>64,897,917</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources, pension activity	1,395,869	622,463
LIABILITIES		
Other liabilities	2,502,375	2,861,024
Net pension liability	3,943,988	3,062,366
TOTAL LIABILITIES	<u>6,446,363</u>	<u>5,923,390</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources, pension activity	56,848	325,033
NET POSITION		
Net investment in capital assets	48,672,585	51,390,240
Restricted	1,132,395	914,021
Unrestricted	7,035,617	6,967,696
TOTAL NET POSITION	<u>\$ 56,840,597</u>	<u>\$ 59,271,957</u>

Cash and investments represent 22.77% of Upper Providence Township's total governmental assets.

By far the largest portion of the Township's governmental assets, 79.19%, 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 \$15.3 million in cash and investments allows for future investment in the sewer facilities.

Accumulated depreciation reflects 49.67% of total capital assets for governmental activities and 51.71% 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 \$2,431,360 for governmental activities and \$(314,998) for business-type activities.

Business-Type Activities		Total Primary Government		Total Percentage Change 2016 to 2017
2016	2017	2016	2017	
\$ 16,745,116	\$ 15,333,345	\$ 31,639,809	\$ 30,113,199	-4.82%
60,375	120,465	2,640,985	2,673,288	1.22%
4,199,949	3,825,000	-	-	0.00%
5,567,677	6,873,509	54,240,262	58,263,749	7.42%
<u>26,573,117</u>	<u>26,152,319</u>	<u>88,521,056</u>	<u>91,050,236</u>	<u>2.86%</u>
 -	 -	<u>1,395,869</u>	<u>622,463</u>	<u>-55.41%</u>
 105,816	 16	 2,608,191	 2,861,040	 9.69%
 -	 -	 3,943,988	 3,062,366	 -22.35%
<u>105,816</u>	<u>16</u>	<u>6,552,179</u>	<u>5,923,406</u>	<u>-9.60%</u>
 -	 -	<u>56,848</u>	<u>325,033</u>	<u>471.76%</u>
 5,567,677	 6,873,509	 54,240,262	 58,263,749	 7.42%
 18,699,472	 16,793,602	 19,831,867	 17,707,623	 -10.71%
 2,200,152	 2,485,192	 9,235,769	 9,452,888	 2.35%
 <u>\$ 26,467,301</u>	 <u>\$ 26,152,303</u>	 <u>\$ 83,307,898</u>	 <u>\$ 85,424,260</u>	 2.54%

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenues and transfers for governmental activities for fiscal year 2017 were \$19,725,064. Revenues and transfers by source were as follows:

	Amount	Percent of Total
REVENUES AND TRANSFERS		
Real estate taxes	\$ 2,566,557	13.01%
Per capita taxes	11,060	0.06%
Real estate transfer taxes	1,437,719	7.29%
Earned income taxes	9,351,033	47.41%
Local services tax	946,208	4.80%
Special assessments	49,620	0.25%
Franchise tax	573,200	2.91%
Public realty tax and licenses	10,677	0.05%
Interest income	205,743	1.04%
Gain on sale of capital assets	36,985	0.19%
Interfund transfers, net	368,789	1.87%
Miscellaneous	219,343	1.11%
Charges for services	2,264,114	11.48%
Operating grants and contributions	664,737	3.37%
Capital grants and contributions	<u>1,019,279</u>	5.17%
 TOTAL	 <u>\$ 19,725,064</u>	 <u>100.00%</u>

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 year 2017 were \$17,293,704. Expenditures by source were as follows:

	Amount	Percent of Total
EXPENDITURES		
General government	\$ 2,221,462	12.85%
Public safety	8,691,798	50.26%
Public works		
Sanitation	98,827	0.57%
Highways and streets	2,442,673	14.12%
Culture and recreation	896,003	5.18%
Interest on long-term debt	66,445	0.38%
Depreciation (unallocated)	2,856,618	16.52%
Miscellaneous	<u>19,878</u>	0.11%
 TOTAL	 <u>\$ 17,293,704</u>	 <u>100.00%</u>

UPPER PROVIDENCE TOWNSHIP
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED DECEMBER 31, 2017

Table 2
Changes in Net Position
Years Ended December 31, 2016 and 2017

	Governmental Activities	
	2016	2017
REVENUES		
Program revenues		
Charges for services	\$ 2,123,032	\$ 2,264,114
Operating grants and contributions	220,750	664,737
Capital grants and contributions	1,222,192	1,019,279
General revenues		
Real estate taxes	-	2,566,557
Per capita taxes	115,589	11,060
Real estate transfer taxes	1,201,277	1,437,719
Earned income taxes	8,762,533	9,351,033
Local services tax	837,443	946,208
Special assessments	51,983	49,620
Franchise tax	555,865	573,200
Public realty tax and licenses	11,576	10,677
Interest income	114,807	205,743
Gain on sale of capital assets	33,111	36,985
Interfund transfers, net	1,948,732	368,789
Miscellaneous	156,182	219,343
TOTAL REVENUES	<u>17,355,072</u>	<u>19,725,064</u>
EXPENSES		
General government	1,174,082	2,221,462
Public safety	8,820,498	8,691,798
Public works		
Sanitation	90,970	98,827
Highways and streets	3,010,821	2,442,673
Culture and recreation	1,270,431	896,003
Interest on long-term debt	-	66,445
Depreciation (unallocated)	2,997,817	2,856,618
Miscellaneous	36,054	19,878
Sewer	-	-
TOTAL EXPENSES	<u>17,400,673</u>	<u>17,293,704</u>
CHANGE IN NET POSITION	(45,601)	2,431,360
NET POSITION, BEGINNING	<u>56,886,198</u>	<u>56,840,597</u>
NET POSITION, ENDING	<u>\$ 56,840,597</u>	<u>\$ 59,271,957</u>

Business-Type Activities		Total Primary Government		Total Percentage Change 2016 to 2017
2016	2017	2016	2017	
\$ 2,851,462	\$ 2,888,395	\$ 4,974,494	\$ 5,152,509	3.58%
-	-	220,750	664,737	201.13%
-	-	1,222,192	1,019,279	-16.60%
-	-	-	2,566,557	0.00%
-	-	115,589	11,060	-90.43%
-	-	1,201,277	1,437,719	19.68%
-	-	8,762,533	9,351,033	6.72%
-	-	837,443	946,208	12.99%
-	-	51,983	49,620	-4.55%
-	-	555,865	573,200	3.12%
-	-	11,576	10,677	-7.77%
99,062	210,250	213,869	415,993	94.51%
-	-	33,111	36,985	11.70%
(1,948,732)	(368,789)	-	-	0.00%
-	-	156,182	219,343	40.44%
<u>1,001,792</u>	<u>2,729,856</u>	<u>18,356,864</u>	<u>22,454,920</u>	<u>22.32%</u>
-	-	1,174,082	2,221,462	89.21%
-	-	8,820,498	8,691,798	-1.46%
-	-	90,970	98,827	8.64%
-	-	3,010,821	2,442,673	-18.87%
-	-	1,270,431	896,003	-29.47%
-	-	-	66,445	0.00%
-	-	2,997,817	2,856,618	-4.71%
-	-	36,054	19,878	-44.87%
<u>2,600,543</u>	<u>3,044,854</u>	<u>2,600,543</u>	<u>3,044,854</u>	<u>17.09%</u>
<u>2,600,543</u>	<u>3,044,854</u>	<u>20,001,216</u>	<u>20,338,558</u>	<u>1.69%</u>
(1,598,751)	(314,998)	(1,644,352)	2,116,362	228.70%
<u>28,066,052</u>	<u>26,467,301</u>	<u>84,952,250</u>	<u>83,307,898</u>	<u>-1.94%</u>
\$ <u>26,467,301</u>	\$ <u>26,152,303</u>	\$ <u>83,307,898</u>	\$ <u>85,424,260</u>	2.54%

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Culture and Recreation Highlights

In June, 2011, the Township completed the Recreation Center at Anderson Farm Park. The Township Community Center has been open since 2011 and includes a 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.

Business-Type Activities

Business-type activities comprise the Township's sewer system. Total revenue from this activity is \$2,888,395 (see changes in Business-Type Activities). Charges for services account for 93.21% 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 rate did not change in 2016 or 2017. 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 (LPRVSA), 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, 2017, totals \$58,263,749 (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, 2017

Table 3
Capital Assets at Year-End (Including Additions)
Year Ended December 31, 2017

	Balance at December 31, 2016	Net Additions	Balance at December 31, 2017
GOVERNMENTAL ACTIVITIES			
Capital assets not being depreciated			
Land	\$ 8,093,813	\$ 1,689,160	\$ 9,782,973
Capital assets being depreciated			
Land improvements	3,406,614	427,443	3,834,057
Infrastructure	59,655,322	1,898,109	61,553,431
Automobiles	4,944,620	200,287	5,144,907
Building and improvements	16,014,350	1,077,307	17,091,657
Equipment, furniture and fixtures	4,558,188	145,460	4,703,648
	<u>96,672,907</u>	<u>5,437,766</u>	<u>102,110,673</u>
Accumulated depreciation	<u>(48,000,322)</u>	<u>(2,720,111)</u>	<u>(50,720,433)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	48,672,585	2,717,655	51,390,240
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	48,672,585	2,717,655	51,390,240
BUSINESS-TYPE ACTIVITIES			
Capital assets being depreciated			
Sewage system	12,592,824	1,641,327	14,234,151
Accumulated depreciation	<u>(7,025,147)</u>	<u>(335,495)</u>	<u>(7,360,642)</u>
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS	5,567,677	1,305,832	6,873,509
CAPITAL ASSETS, net	\$ 54,240,262	\$ 4,023,487	\$ 58,263,749

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

The Township began construction on a new police administration building in 2014 and the Police Department officially moved into their new building on June 1, 2015. The new building is 12,000 square feet and includes training rooms, a forensic processing room and training facilities. The new building allowed the Police Department to become accredited on September 15, 2017 by the Pennsylvania Chiefs of Police Association.

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, 2017 and 2016. The Township issued the 2017 General Obligation Note in March of 2017 in the amount of \$10,000,000, no amounts were outstanding on the note as of December 31, 2017, but the full amount was available for the Township to withdraw.

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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 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 Restaurant, The Movie Tavern and Firebirds.

Collections of the earned income taxes are also a good indicator of local economic conditions. For 2017, the Township's collection of these taxes was \$9,351,033.

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, 2017

Table 4
General Fund Tax Revenues by Source
Budget Basis (Unaudited)
Last Ten Fiscal Years

<u>Year</u>	<u>Property (1)</u>	<u>Property Transfer</u>	<u>Earned Income Tax</u>	<u>Per Capita Tax</u>	<u>Local Services Tax</u>	<u>Total Tax Revenues</u>
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
2014	-	1,130,984	7,911,333	56,931	889,491	9,988,739
2015	-	1,092,852	8,303,081	55,413	774,907	10,226,253
2016	-	1,201,277	8,762,533	115,589	837,443	10,916,842
2017	2,566,557	1,437,719	9,351,033	11,060	946,208	14,312,577

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NOTES:

(1) Current, prior, delinquent and interim property (real estate) taxes. During the period 2008 through 2016 no tax was due because the millage rate was zero.

Source: Upper Providence Township Financial Statements

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Table 5

Property Tax Levies and Collections (Unaudited)

Last Ten Fiscal Years

Year	(1) Tax Levy	Current Tax Collections	Percent of Levy 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
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
2014	-	-	N/A	-	-	N/A	-	N/A
2015	-	-	N/A	-	-	N/A	-	N/A
2016	-	-	N/A	-	-	N/A	-	N/A
2017	1.2 Mills	2,546,622	99%	-	2,546,622	99%	21,318	1%

NOTES:

(1) Includes all Township millages. During the period 2008 through 2016 no tax was due because the millage rate was zero.

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

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Table 6

Assessed and Estimated Actual Value of Taxable Property (Unaudited)

Last Ten Fiscal Years

Year	Estimated Actual Value	Assessed Value	Ratio of Total Assessed to Total Estimated Actual Value (1)
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
2014	2,067,307,175	2,067,307,175	100.0
2015	2,128,084,006	2,128,084,006	100.0
2016	2,166,501,551	2,166,501,551	100.0
2017	2,165,419,166	2,165,419,166	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, 2017

Table 7

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.

Year	Upper Providence Township	Spring-Ford Area School District	Montgomery County	Total Millage
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
2014	0.00	26.02	3.15	29.17
2015	0.00	26.06	3.15	29.21
2016	0.00	26.24	3.46	29.70
2017	1.20	26.24	3.85	31.29

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, 2017

Table 8
Ten Largest Employers (Unaudited)
2017

	Business Name	Type of Business	Employees
1)	SEI Investments	Investments	3,032
2)	GlaxoSmithKline	Pharmaceutical	2,011
3)	Wyeth Pharmaceuticals, Inc.	Pharmaceutical	1,058
4)	Pfizer	Pharmaceutical	818
5)	Wegman's Food Market	Grocery Store	538
6)	Spring-Ford Area School District	Education	486
7)	Parkhouse Nursing and Rehabilitation Center	Nursing	468
8)	FIS Management Services LLC	Software	447
9)	Tri-County Medical Equipment and Supply LLC	Medical Supplies	433
10)	Quest Diagnostics	Diagnostics	416
			<u>9,707</u>

NOTES:

- (1) **The ten largest employers represent 44% 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, 2017

Table 9
Miscellaneous Statistics
2017

<u>Date Founded:</u>	1805
<u>Form of Government:</u>	Township of the Second Class
<u>Area:</u>	18.2 Square Miles 11,655 Acres
<u>Population:</u>	1980: 9,551 1990: 9,682 2000: 15,398 2010: 21,219
<u>Age Characteristics:</u>	Median Age: 41 Percent Under 18: 21% Percent 18-64: 67% Percent 65 and over: 12%
<u>Fire Protection:</u>	Paid Career Firefighters Volunteer Fire Company: Black Rock Fire Company
<u>Police Department:</u>	1 Station 32 Sworn Officers
<u>Township Employees:</u>	37 Full-time 67 Part-time and seasonal
<u>Race/Ethnicity:</u>	Caucasian: 86.6% African-American: 2.6% Asian: 8.0% Other: 2.8%
<u>Miles of Roads/Streets:</u>	90
<u>Sewer System:</u>	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, 2017

Table 9 (Continued)
Miscellaneous Statistics
2017

Housing:

	<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	10	25
Total Housing Units	5,545	7,386

Finances:

Median Family Income:	\$134,151
Median Household Income:	\$120,362
Per Capita Income:	\$50,751
Individuals Below Poverty Level:	2.6%
Families Below Poverty Level:	2.5%

Educational Achievement:

High School Graduates:	97.2%
Bachelor Degree or Higher:	57.3%

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 (2012 - 2016)

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 2,254,609	\$ 538,660	\$ 2,793,269
Investments	11,577,038	1,700,316	13,277,354
Receivables	203,189	97,610	300,799
Internal balances	(3,825,000)	3,825,000	-
Taxes receivable	2,113,587	-	2,113,587
Due from developers	212,069	-	212,069
Prepaid items	23,978	4,855	28,833
Restricted assets			
Cash equivalents	61,004	986,612	1,047,616
Investments	887,203	12,107,757	12,994,960
Deposits on EDU's	-	18,000	18,000
Capital assets			
Land	9,782,973	-	9,782,973
Land improvements	3,834,057	-	3,834,057
Sewer system	-	14,234,151	14,234,151
Infrastructure	61,553,431	-	61,553,431
Automobiles	5,144,907	-	5,144,907
Building and improvements	17,091,657	-	17,091,657
Equipment, furniture and fixtures	4,703,648	-	4,703,648
Accumulated depreciation	(50,720,433)	(7,360,642)	(58,081,075)
TOTAL ASSETS	64,897,917	26,152,319	91,050,236
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	622,463	-	622,463
LIABILITIES			
Accounts payable	630,996	16	631,012
Due to developers	948,207	-	948,207
Long-term liabilities			
Compensated absences	678,594	-	678,594
Other postemployment benefits	603,227	-	603,227
Net pension liability	3,062,366	-	3,062,366
TOTAL LIABILITIES	5,923,390	16	5,923,406
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	325,033	-	325,033
NET POSITION			
Net investment in capital assets	51,390,240	6,873,509	58,263,749
Restricted	914,021	16,793,602	17,707,623
Unrestricted	6,967,696	2,485,192	9,452,888
TOTAL NET POSITION	\$ 59,271,957	\$ 26,152,303	\$ 85,424,260

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 2,221,462	\$ -	\$ -	\$ -
Public safety	8,691,798	1,729,828	598,090	8,250
Public works				
Sanitation	98,827	-	60,432	-
Highways and streets	2,442,673	8,724	6,215	655,029
Culture and recreation	896,003	525,562	-	356,000
Interest on long-term debt	66,445	-	-	-
Depreciation (unallocated)	2,856,618	-	-	-
Miscellaneous	19,878	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	17,293,704	2,264,114	664,737	1,019,279
Business-type activities				
Sewer and sewer capital	3,044,854	2,888,395	-	-
TOTAL PRIMARY GOVERNMENT	\$ 20,338,558	\$ 5,152,509	\$ 664,737	\$ 1,019,279
GENERAL REVENUES				
Real estate taxes				
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				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	
\$ (2,221,462)	\$ -	\$ (2,221,462)	
(6,355,630)	-	(6,355,630)	
(38,395)	-	(38,395)	
(1,772,705)	-	(1,772,705)	
(14,441)	-	(14,441)	
(66,445)	-	(66,445)	
(2,856,618)	-	(2,856,618)	
(19,878)	-	(19,878)	
<u>(13,345,574)</u>	<u>-</u>	<u>(13,345,574)</u>	
<u>-</u>	<u>(156,459)</u>	<u>(156,459)</u>	
<u>(13,345,574)</u>	<u>(156,459)</u>	<u>(13,502,033)</u>	
2,566,557	-	2,566,557	
11,060	-	11,060	
1,437,719	-	1,437,719	
9,351,033	-	9,351,033	
946,208	-	946,208	
49,620	-	49,620	
573,200	-	573,200	
10,677	-	10,677	
219,343	-	219,343	
205,743	210,250	415,993	
36,985	-	36,985	
<u>368,789</u>	<u>(368,789)</u>	<u>-</u>	
<u>15,776,934</u>	<u>(158,539)</u>	<u>15,618,395</u>	
2,431,360	(314,998)	2,116,362	
<u>56,840,597</u>	<u>26,467,301</u>	<u>83,307,898</u>	
<u>\$ 59,271,957</u>	<u>\$ 26,152,303</u>	<u>\$ 85,424,260</u>	

UPPER PROVIDENCE TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Parks and Recreation Fund	Highway Aid Fund (Non-major)	State Liquid Fuels	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,284,924	\$ 428,525	\$ 231,702	\$ 85,458	\$ 2,030,609	
Investments	8,680,279	1,392,483	1,111,782	616,494	11,801,038	
Receivables	29,855	173,334	-	-	203,189	
Taxes receivable	2,113,116	-	-	-	2,113,116	
Due from other funds	550,000	388,333	31,048	-	969,381	
Due from developers	212,069	-	-	-	212,069	
Prepaid expenses	22,978	1,000	-	-	23,978	
Restricted assets, cash and cash equivalents	61,004	-	-	-	61,004	
Restricted investments	887,203	-	-	-	887,203	
TOTAL ASSETS	\$ 13,841,428	\$ 2,383,675	\$ 1,374,532	\$ 701,952	\$ 18,301,587	
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 232,920	\$ 388,016	\$ 10,060	\$ -	\$ 630,996	
Due to other funds	44,381	4,200,000	550,000	-	4,794,381	
Due to developers	948,207	-	-	-	948,207	
TOTAL LIABILITIES	\$ 1,225,508	\$ 4,588,016	\$ 560,060	\$ -	\$ 6,373,584	
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues. Property taxes	19,935	-	-	-	19,935	
FUND BALANCES						
Nonspendable						
Prepaid expenses	22,978	1,000	-	-	23,978	
Notes receivable	-	173,334	-	-	173,334	
Restricted						
Escrows	212,069	-	-	-	212,069	
Highway improvements	-	-	-	701,952	701,952	
Committed						
Parks and recreation	-	-	814,472	-	814,472	
Assigned						
Fire apparatus improvements	-	556,190	-	-	556,190	
Equipment purchases	-	482,768	-	-	482,768	
Open space acquisition	-	180	-	-	180	
Unassigned	12,360,938	(3,417,813)	-	-	8,943,125	
TOTAL FUND BALANCES	\$ 12,595,985	\$ (2,204,341)	\$ 814,472	\$ 701,952	\$ 11,908,068	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,841,428	\$ 2,383,675	\$ 1,374,532	\$ 701,952	\$ 18,301,587	

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, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 11,908,068
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	9,782,973
Land improvements	3,834,057
Infrastructure	61,553,431
Automobiles	5,144,907
Building and improvements	17,091,657
Equipment, furniture and fixtures	4,703,648
Accumulated depreciation	(50,720,433)
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	(603,227)
Compensated absences	(678,594)
Net pension liability	(3,062,366)
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	297,430
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.	
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 59,271,957</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, 2017

	General Fund	Capital Projects Fund	Parks and Recreation Fund	State Liquid Fuels Highway Aid Fund (Non-major)	Total Governmental Funds
REVENUES					
Taxes					
Real estate	\$ 2,546,622	\$ -	\$ -	\$ -	\$ 2,546,622
Per capita	11,060	-	-	-	11,060
Real estate transfer	1,437,719	-	-	-	1,437,719
Earned income	9,351,033	-	-	-	9,351,033
Local services tax	946,208	-	-	-	946,208
Licenses and permits	556,234	-	-	-	556,234
Fines and forfeits	148,016	-	-	-	148,016
Interest and rents	226,176	20,967	1,339	14,861	263,343
Intergovernmental	652,247	-	-	655,029	1,307,276
Charges for services	2,096,473	-	8,793	-	2,105,266
Contributions	43,500	31,417	356,000	-	430,917
Miscellaneous	197,341	-	-	-	197,341
TOTAL REVENUES	18,212,629	52,384	366,132	669,890	19,301,035
EXPENDITURES					
General government	1,598,915	1,771,485	-	-	3,370,400
Public safety	8,279,769	184,751	-	-	8,464,520
Public works					
Sanitation	100,776	-	-	-	100,776
Highways and streets	2,786,878	875,472	-	994,338	4,656,688
Culture and recreation	976,972	-	2,077,031	-	3,054,003
Miscellaneous	19,878	1,680	-	-	21,558
Debt service	-	489,326	-	-	489,326
TOTAL EXPENDITURES	13,763,188	3,322,714	2,077,031	994,338	20,157,271
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,449,441	(3,270,330)	(1,710,899)	(324,448)	(856,236)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of long-term debt	-	422,881	-	-	422,881
Proceeds from sale of capital assets	-	36,985	-	-	36,985
Interfund transfers in	368,789	3,083,303	19,127	-	3,471,219
Interfund transfers out	(3,083,303)	(19,127)	-	-	(3,102,430)
TOTAL OTHER FINANCING SOURCES (USES)	(2,714,514)	3,524,042	19,127	-	828,655
NET CHANGE IN FUND BALANCES	1,734,927	253,712	(1,691,772)	(324,448)	(27,581)
FUND BALANCES AT BEGINNING OF YEAR	10,861,058	(2,458,053)	2,506,244	1,026,400	11,935,649
FUND BALANCES AT END OF YEAR	\$ 12,595,985	\$ (2,204,341)	\$ 814,472	\$ 701,952	\$ 11,908,068

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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (27,581)
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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 capital outlays exceeds depreciation expense in the current period.

2,717,655

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.

(89,992)

Net pension liability and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.

(159,969)

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.

(28,688)

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 deferred on the funds.

19,935

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>2,431,360</u>
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See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2017

	Enterprise Funds		
	Sewer Revenue Fund	Sewer Capital Funds	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 538,660	\$ -	\$ 538,660
Investments	1,700,316	-	1,700,316
Receivables	97,610	-	97,610
Due from other funds	125,767	4,200,000	4,325,767
Prepaid expenses	4,855	-	4,855
TOTAL CURRENT ASSETS	2,467,208	4,200,000	6,667,208
NONCURRENT ASSETS			
Restricted assets			
Cash equivalents	-	986,612	986,612
Investments	-	12,107,757	12,107,757
Deposits on EDU's	18,000	-	18,000
TOTAL RESTRICTED ASSETS	18,000	13,094,369	13,112,369
Capital assets			
Sewer system	-	14,234,151	14,234,151
Accumulated depreciation	-	(7,360,642)	(7,360,642)
TOTAL CAPITAL ASSETS,			
net of accumulated depreciation	-	6,873,509	6,873,509
TOTAL NONCURRENT ASSETS	18,000	19,967,878	19,985,878
TOTAL ASSETS	2,485,208	24,167,878	26,653,086
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	16	-	16
Due to other funds	-	500,767	500,767
TOTAL CURRENT LIABILITIES	16	500,767	500,783
NET POSITION			
Net investment in capital assets	-	6,873,509	6,873,509
Restricted	-	16,793,602	16,793,602
Unrestricted	2,485,192	-	2,485,192
TOTAL NET POSITION	\$ 2,485,192	\$ 23,667,111	\$ 26,152,303

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, 2017

	Enterprise Funds		
	Sewer Revenue Fund	Sewer Capital Funds	Total Proprietary Funds
OPERATING REVENUES			
Charges for sales and services			
Sewer rents	\$ 2,282,857	\$ -	\$ 2,282,857
Connection and other fees	<u>594,706</u>	<u>10,832</u>	<u>605,538</u>
TOTAL OPERATING REVENUES	<u>2,877,563</u>	<u>10,832</u>	<u>2,888,395</u>
OPERATING EXPENSES			
Contracted services	2,037,948	99,404	2,137,352
Supplies	5,070	-	5,070
Miscellaneous	13,374	717	14,091
Professional services	55,736	150,778	206,514
Repairs and maintenance	35,793	287,457	323,250
Electric and water	18,596	-	18,596
Insurance	4,486	-	4,486
Depreciation	-	335,495	335,495
TOTAL OPERATING EXPENSES	<u>2,171,003</u>	<u>873,851</u>	<u>3,044,854</u>
OPERATING INCOME (LOSS)	706,560	(863,019)	(156,459)
NON-OPERATING REVENUES			
Earnings on investments	<u>29,997</u>	<u>180,253</u>	<u>210,250</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	<u>736,557</u>	<u>(682,766)</u>	<u>53,791</u>
INTERFUND TRANSFERS			
Transfers in	-	82,728	82,728
Transfers out	<u>(451,517)</u>	<u>-</u>	<u>(451,517)</u>
TOTAL INTERFUND TRANSFERS	<u>(451,517)</u>	<u>82,728</u>	<u>(368,789)</u>
CHANGE IN NET POSITION	285,040	(600,038)	(314,998)
NET POSITION AT BEGINNING OF YEAR	<u>2,200,152</u>	<u>24,267,149</u>	<u>26,467,301</u>
NET POSITION AT END OF YEAR	<u>\$ 2,485,192</u>	<u>\$ 23,667,111</u>	<u>\$ 26,152,303</u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds		
	Sewer Revenue Fund	Sewer Capital Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,822,328	\$ 10,832	\$ 2,833,160
Payments to suppliers	(2,181,653)	(638,361)	(2,820,014)
Payments to other funds	(125,767)	500,767	375,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>514,908</u>	<u>(126,762)</u>	<u>388,146</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer (to) from other funds	<u>(451,517)</u>	<u>82,728</u>	<u>(368,789)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvement of capital assets	<u>-</u>	<u>(1,641,327)</u>	<u>(1,641,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net sales of investments	326,834	1,336,109	1,662,943
Earnings on investments	29,997	180,253	210,250
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>356,831</u>	<u>1,516,362</u>	<u>1,873,193</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	420,222	(168,999)	251,223
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>118,438</u>	<u>1,155,611</u>	<u>1,274,049</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 538,660</u>	<u>\$ 986,612</u>	<u>\$ 1,525,272</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 706,560	\$ (863,019)	\$ (156,459)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	335,495	335,495
(Increase) decrease in Receivables	(55,235)	-	(55,235)
Due from other funds	(125,767)	-	(125,767)
Prepaid expenses	(4,855)	-	(4,855)
Increase (decrease) in accounts payable			
Accounts payable	(5,795)	(100,005)	(105,800)
Due to other funds	<u>-</u>	<u>500,767</u>	<u>500,767</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 514,908</u>	<u>\$ (126,762)</u>	<u>\$ 388,146</u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Police Pension Fund	Firefighters Pension Fund	Non-Uniformed Pension Fund	Post-Retirement Health Benefit Fund
ASSETS				
Cash and cash equivalents	\$ 277,496	\$ 980	\$ 220,087	\$ 23,403
Investments	9,277,172	44,175	7,073,646	883,560
Due from Non-Uniformed Pension Fund	-	185,278	-	-
TOTAL ASSETS	\$ 9,554,668	\$ 230,433	\$ 7,293,733	\$ 906,963
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to Firefighters Pension Fund	\$ -	\$ -	\$ 185,278	\$ -
Benefits payable	-	-	4,025	-
TOTAL LIABILITIES	-	-	189,303	-
NET POSITION				
Reserved for plan participants	\$ 9,554,668	\$ 230,433	\$ 7,104,430	\$ 906,963

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Police Pension Fund	Firefighters Pension Fund	Non-Uniformed Pension Fund	Post-Retirement Health Benefit Fund
ADDITIONS				
Contributions, employer and Commonwealth	\$ 572,772	\$ 43,053	\$ 462,171	\$ -
Plan Members	<u>9,734</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions	<u>582,506</u>	<u>43,053</u>	<u>462,171</u>	<u>-</u>
Investment income				
Interest and dividends	199,325	25,774	130,820	19,167
Gain (loss) on sales	-	-	-	4,895
Increase in fair market value of assets	1,015,756	2,766	841,902	78,495
TOTAL ADDITIONS	<u>1,797,587</u>	<u>71,593</u>	<u>1,434,893</u>	<u>102,557</u>
DEDUCTIONS				
Administrative expenses	30,868	1,283	24,753	7,954
Payments to participants	<u>240,524</u>	<u>-</u>	<u>218,592</u>	<u>18,006</u>
TOTAL DEDUCTIONS	<u>271,392</u>	<u>1,283</u>	<u>243,345</u>	<u>25,960</u>
CHANGE IN NET POSITION	1,526,195	70,310	1,191,548	76,597
NET POSITION AT BEGINNING OF YEAR, restated for Firefighters and Non-Uniformed Pension Funds	<u>8,028,473</u>	<u>160,123</u>	<u>5,912,882</u>	<u>830,366</u>
NET POSITION AT END OF YEAR	<u>\$ 9,554,668</u>	<u>\$ 230,433</u>	<u>\$ 7,104,430</u>	<u>\$ 906,963</u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Township's financial statements. In addition, the Township is not aware of any entity which would exercise such oversight which would result in the Township being considered a component unit entity.

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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 *Recreation Fund* is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Township reports the following major Proprietary Funds:

The *Sewer Revenue Fund* and *Sewer Capital Funds* 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 non-major Governmental Fund:

The *State Liquid Fuels Highway Aid Fund* is a special revenue fund used to account for the proceeds of specific revenue sources that are 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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Non-major Governmental Funds are aggregated and presented in a single column. 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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 and with no restrictions on withdrawal are considered cash equivalents.

Investments

Investments are reported at fair value pursuant to GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. Under these statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

Real Estate Taxes

Real estate taxes are recorded as revenues when the taxes are levied. All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2017, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Real estate taxes are levied on January 1 on property values assessed as of the same date. Taxes are billed March 1 and are due on June 30 of each year. A 2% discount is provided for taxes paid prior to May 30. A 10% penalty is applied to taxes paid after June 30. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 22).

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and changes in plan assumptions.

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 two items that qualify for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and the net difference between projected and actual earnings on pension plan investments.

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.

State statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The Township's cash and cash investments consist of deposits with financial institutions.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

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, 2017, the carrying amount of the Township's deposits was \$4,138,851 and the bank balance was \$4,941,769. Of the bank balance, \$660,619 was covered by depository insurance. However, \$452,807 of the deposits exceeded the FDIC insurance coverage and was properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. \$3,828,343 of the bank balance is invested in state investment pools, which is uninsured and uncollateralized. 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.

Investments

As of December 31, 2017, the Township had the following investments:

Investment Type	Investment Maturities		
	Amortized Cost	Fair Value	Less Than One Year
Certificates of deposit	\$ 405,323	\$ -	\$ 405,323
State investment pools	26,541,924	-	26,541,924
Mutual funds primarily invested in U.S. securities	-	16,808,489	16,808,489
Limited partnership interests	19,131	-	19,131
	<hr/> <u>\$ 26,966,378</u>	<hr/> <u>\$ 16,808,489</u>	<hr/> <u>\$ 43,774,867</u>

A portion of the Township's investments is in the PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2017, is \$26,541,924. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools and limited partnership interests are valued at amortized cost in accordance with GASB Statement No. 79.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

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.

Fair Value Measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township's investments in mutual funds are recurring fair value measurements. These investments are valued using quoted market prices (Level 1 inputs).

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.

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:

VANGUARD TOTAL BOND MARKET ETF (mostly U.S. securities)	12.94%
VANGUARD INTL EQUITY INDEX (mostly foreign securities)	24.03%
VANGUARD CRSP US LARGE CAP GROW IND ETF (mostly U.S. securities)	16.90%
VANGUARD INTERMEDIATE TERM CORP BOND ETF (mostly U.S. securities)	7.73%
VANGUARD CRSP US MID CAP INDEX (mostly U.S. securities),	5.75%
VANGUARD CRSP US LARGE CAP VALUE IND ET (mostly U.S. securities)	16.91%
VANGUARD SMALL CAP ETF (mostly U.S. securities)	5.74%

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE C - RECEIVABLES

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Other receivables	\$ 203,189	\$ -	\$ 203,189
Real estate taxes	109,269	-	109,269
Earned income tax	1,720,304	-	1,720,304
Real estate transfer taxes	73,943	-	73,943
Local services tax	209,600	-	209,600
Sewer rents, assessments and connections receivable	<u>-</u>	<u>97,610</u>	<u>97,610</u>
	<u>\$ 2,316,305</u>	<u>\$ 97,610</u>	<u>\$ 2,413,915</u>

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at December 31, 2016	Additions	Deletions	Balance at December 31, 2017
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,093,813	\$ 1,689,160	\$ -	\$ 9,782,973
Capital assets being depreciated				
Land improvements	3,406,614	427,443	-	3,834,057
Infrastructure	59,655,322	1,898,109	-	61,553,431
Automobiles	4,944,620	336,794	(136,507)	5,144,907
Building and improvements	16,014,350	1,077,307	-	17,091,657
Equipment, furniture and fixtures	4,558,188	145,460	-	4,703,648
TOTAL CAPITAL ASSETS BEING DEPRECIATED	88,579,094	3,885,113	(136,507)	92,327,700
Accumulated depreciation				
Land improvements	(1,918,728)	(170,780)	-	(2,089,508)
Infrastructure	(33,649,965)	(1,724,765)	-	(35,374,730)
Automobiles	(4,945,761)	(152,879)	136,507	(4,962,133)
Building and improvements	(3,458,499)	(541,689)	-	(4,000,188)
Equipment, furniture and fixtures	(4,027,369)	(266,505)	-	(4,293,874)
TOTAL ACCUMULATED DEPRECIATION	(48,000,322)	(2,856,618)	136,507	(50,720,433)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	40,578,772	1,028,495	-	41,607,267
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	48,672,585	2,717,655	-	51,390,240
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Sewer system	12,592,824	1,641,327	-	14,234,151
Accumulated depreciation	(7,025,147)	(335,495)	-	(7,360,642)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	5,567,677	1,305,832	-	6,873,509
CAPITAL ASSETS, net	\$ 54,240,262	\$ 4,023,487	\$ -	\$ 58,263,749

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

1999 note receivable from fire company	\$ <u>173,334</u>
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NOTE F - LONG TERM DEBT

In March of 2017 the Township issued the General Obligation Note of 2017 in the amount of \$10,000,000 to finance various capital projects. The Township initially drew \$422,881 from the note for capital projects and the issuance costs of the note. In December of 2017 the Township repaid all amounts drawn on the note. As of December 31, 2017 there is no balance outstanding and the full amount of the note is available to the Township.

NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Plan Membership - At December 31, 2017, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	7
Current active members	<u>28</u>
	<u>35</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefits Provided - 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. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The state provides an allocation of funds, which must be used for pension funding. In 2017, member personnel were required to contribute 1% of salary to the plan. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2017, the MMO obligation for the plan was \$572,772. Contributions of \$572,772 were made by the Township.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

The following was the Board's adopted asset allocation policy as of December 31, 2017:

Asset Class	Target Allocation
Domestic equity	50%
International equity	21%
Fixed income	28%
Real estate	0%
Cash	1%
	<u>100%</u>

Concentrations - More than 5% of the Township's investments are in mutual funds investing in U.S. stocks and mutual funds investing in foreign stocks. These investments are 69% and 24%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 15.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 11,576,421
Plan fiduciary net position	<u>(9,554,668)</u>
NET PENSION LIABILITY	\$ <u>2,021,753</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.54%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	5.0% average, including inflation
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 tables.

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.0%
International equity	6.0%
Fixed income	2.5%
Real estate	7.0%
Cash	0.0%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2016	\$ 10,518,639	\$ 8,028,473	\$ 2,490,166
Changes for the year			
Service cost	463,452	-	463,452
Interest	814,637	-	814,637
Differences between expected and actual experience	20,217	-	20,217
Contributions			
Employer	-	572,772	(572,772)
Member	-	9,734	(9,734)
Net investment income	-	1,215,081	(1,215,081)
Benefit payments	(240,524)	(240,524)	-
Administrative expense	-	(30,868)	30,868
Net changes	1,057,782	1,526,195	(468,413)
BALANCE AT DECEMBER 31, 2017	\$ 11,576,421	\$ 9,554,668	\$ 2,021,753

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ <u>3,745,011</u>	\$ <u>2,021,753</u>	\$ <u>598,886</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2017, the Township recognized pension expense of \$803,850. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,981	\$ -
Changes in assumptions	322,577	-
Net difference between projected and actual earnings on pension plan investments	- 68,347	68,347
	<u>\$ 410,558</u>	<u>\$ 68,347</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>December 31,</u>	
2018	\$ 107,695
2019	107,695
2020	(38,433)
2021	(78,572)
2022	41,683
Thereafter	202,143

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN)

Summary of Significant Accounting Policies

Firefighters' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Firefighters' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Upper Providence Township Firefighters' Pension Plan is a single-employer defined pension plan. The Plan was a spin-off of the Upper Providence Township Non-Uniform Pension Plan. The Plan was amended and restated by Ordinance No. 2016-46B, effective January 1, 2016. The plan is governed by the Board of Supervisors of the Township of Upper Providence which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Supervisors has delegated the authority to manage certain Plan assets to the INR Advisors. The plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

Plan Membership - The plan provides pension benefits for full-time paid firefighters of the Township. At December 31, 2017, plan membership consisted of the following:

Active employees	5
Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
	5

Benefits Provided - Plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement:	Age 62
Early Retirement:	Age 55 and ten years of service
Vesting:	10% per year of service up to 100% after ten years of service

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)

Retirement Benefit

A monthly benefit equal to 2% of average monthly compensation (total pay averaged over the highest consecutive 36 months of employment), multiplied by years of service, up to a maximum benefit of 50%.

Death Benefit

Years of Service 1 to 10:

A lump sum of benefit paid to the surviving spouse equal to the actuarial equivalent present value of the vested benefit as of date of death.

After Ten Years of Service
but Before Retirement:

A monthly benefit paid to the surviving spouse equal to the pension the participant would have been eligible for at date of death under the 100% joint and survivor option. Benefit will be payable at the participant's normal retirement date or at the participant's early retirement date, subject to the early retirement reduction.

After Retirement:

Optional annuity forms chosen at retirement.

Disability Benefit

Service Related:

For disablement and qualification for social security disability benefits, a monthly benefit equal to the normal retirement benefit will be payable following six months of disablement for duration of disability prior to normal retirement.

Post-Retirement Adjustments

Effective each January, a retiree will receive an increase in the monthly benefit equal to the lesser of 3% or the percentage change in the CPI-W (Philadelphia Region) during the last year times the pension benefit. The total of all increases may not exceed 30% of the participant's original monthly benefit.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)

DROP Benefit Participant may remain in DROP for 5 years. At DROP termination, the participant receives the lump sum value of the DROP account and begins receiving a monthly pension benefit.

Early Retirement Benefit Normal retirement benefit using service and compensation at termination, payable at normal retirement. If elected anytime after early retirement eligibility, it will be reduced by 1/180 for each of the first 60 months early, and by 1/360 for each additional month by which payment precedes normal retirement date.

Member Contributions

Amount or Rate: None

Interest Rate Credited to
Member Contributions: N/A

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Member personnel are not required to contribute. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2017, the MMO obligation for the Firefighters' Pension Plan was \$38,053. Contributions of \$43,053 were made by the Township.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)

Investments

Investment Policy - The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. According to an investment policy statement, the plan's target asset allocation is as follows:

Asset Class	Target Allocation
Stocks	70%
Bonds	27%
Cash	3%
	<hr/>
	100%

Concentrations - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2017, the plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.

(\$230,433 x 5% = \$11,522)

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 265,556
Plan fiduciary net position	<hr/> (230,433)
NET PENSION LIABILITY	\$ 35,123
Plan fiduciary net position as a percentage of the total pension liability	<hr/> 86.8%

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	3%
Salary increases	5.5% including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	6.3%
Fixed income	2.0%
Cash	0.0%

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the minimum municipal obligation. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2016	\$ 201,927	\$ 160,123	\$ 41,804
Changes for the year			
Service cost	45,678	-	45,678
Interest	17,951	-	17,951
Contributions			
Employer	-	43,053	(43,053)
Net investment income	-	28,540	(28,540)
Benefit payments	-	-	-
Administrative expense	-	(1,283)	1,283
Net changes	<u>63,629</u>	<u>70,310</u>	<u>(6,681)</u>
BALANCE AT DECEMBER 31, 2017	<u>\$ 265,556</u>	<u>\$ 230,433</u>	<u>\$ 35,123</u>

The December 31, 2016 balances were included in the non-uniform plan totals at December 31, 2016.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.25%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ <u>98,125</u>	\$ <u>35,123</u>	\$ <u>(15,466)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2017, the Township recognized pension expense of \$48,518. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ <u>-</u>	\$ <u>12,146</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN (FIREFIGHTERS' PENSION PLAN) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ (3,037)
2019	(3,037)
2020	(3,037)
2021	(3,035)
2022	-
Thereafter	-

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

Non-Uniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Non-Uniformed Employees' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Township's Non-Uniformed Pension Plan is a single-employer defined benefit pension plan. The plan was established effective January 1, 1969, and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT) dated September 2, 1986. The plan was amended and restated by Resolution No. 2016-46A, effective January 1, 2016. The plan is governed by the Board of Supervisors of Upper Providence Township which may amend plan provisions, and which are responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to INR Advisors. The plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)**

Plan Membership - The plan provides pensions for full-time employees, excluding police officers and paid firefighters, of the Township. As of January 1, 2017, the plan is closed to new participants. At December 31, 2017, plan membership consisted of the following:

Active employees	21
Retirees and beneficiaries currently receiving benefits	16
Terminated employees entitled to benefits but not yet receiving them	7
	<u>44</u>

Benefits Provided - Plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement:	Age 62
Early Retirement:	Age 55 and ten years of service
Vesting:	10% per year of service up to 100% after ten years of service

Retirement Benefit

A monthly benefit equal to 2% of average monthly compensation (total pay averaged over the highest consecutive 36 months of employment), multiplied by years of service, up to a maximum benefit of 50%. For those hired before May 2, 2005, the benefit shall be no less than 1.5% of average monthly compensation, multiplied by years of service.

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN) (Continued)

Death Benefit

Years of Service 1 to 10:

A lump sum of benefit paid to the surviving spouse equal to the actuarial equivalent present value of the vested benefit as of date of death.

After Ten Years of Service
but Before Retirement:

A monthly benefit paid to the surviving spouse equal to the pension the participant would have been eligible for at date of death under the 100% joint and survivor option. Benefit will be payable at the participant's normal retirement date or at the participant's early retirement date, subject to the early retirement reduction.

After Retirement:

Optional annuity forms chosen at retirement.

Disability Benefit

Service Related:

For disablement and qualification for social security disability benefits, a monthly benefit equal to the normal retirement benefit will be payable following six months of disablement for duration of disability prior to normal retirement.

Non-Service Related:

Same

Post-Retirement Adjustments

Effective each January, a retiree will receive an increase in the monthly benefit equal to the lesser of 3% or the percentage change in the CPI-W (Philadelphia Region) during the last year times the pension benefit. The total of all increases may not exceed 30% of the participant's original monthly benefit.

DROP Benefit

Participant may remain in DROP for 5 years. At DROP termination, the participant receives the lump sum value of the DROP account and begins receiving a monthly pension benefit.

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN) (Continued)

Vesting Benefit

Normal retirement benefit using service and compensation at termination multiplied by the vesting percentage, payable at normal retirement. The benefit may be elected earlier, but will be reduced for early retirement.

Early Retirement Benefit

Normal retirement benefit using service and compensation at termination, payable at normal retirement. If elected anytime after early retirement eligibility, it will be reduced by 1/180 for each of the first 60 months early, and by 1/360 for each additional month by which payment precedes normal retirement date.

Member Contributions

Amount or Rate: None

Interest Rate Credited to
Member Contributions: N/A

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Member personnel are not required to contribute. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2017, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$432,169. Contributions of \$462,171 were made by the Township.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings.

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Investments

Investment Policy - The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. According to an investment policy statement, the plan's target asset allocation is as follows:

Asset Class	Target Allocation
Stocks	60%
Bonds	37%
Cash	3%
	<hr/>
	100%

Concentrations - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2017, the plan had the following investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position.
 $(\$7,104,430 \times 5\% = \$355,222)$

Vanguard CRSPUS Large Cap Growth Ind ETF	\$ 1,243,065
Vanguard CRSPUS Large Cap Value Ind ETF	1,265,527
Vanguard Small Cap ETF	428,029
Vanguard Total Bond Market ETF	965,299
Vanguard Intl Equity Index	1,777,360
Vanguard Intermediate Term Corp Bond ETF	578,172
Vanguard CRSPUS Mid Cap Index ETF	431,217

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 8,109,920
Plan fiduciary net position	(7,104,430)
	<hr/>
NET PENSION LIABILITY	\$ 1,005,490
	<hr/>
Plan fiduciary net position as a percentage of the total pension liability	87.6%
	<hr/>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)**

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	3%
Salary increases	5.5% including inflation
Investment rate of return	7.25%

In the January 1, 2017 actuarial valuation mortality rates were based on the RP-2014 Mortality Table, in previous years mortality rates were based on the RP-2000 Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	6.3%
Fixed income	2.0%
Cash	0.0%

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the minimum municipal obligation. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2016	\$ 7,324,900	\$ 5,912,882	\$ 1,412,018
Changes for the year			
Service cost	231,448	-	231,448
Interest	555,741	-	555,741
Differences between expected and actual experience	(28,083)	-	(28,083)
Changes of assumptions	244,506	-	244,506
Contributions			
Employer	-	462,171	(462,171)
Net investment income	-	972,722	(972,722)
Benefit payments	(218,592)	(218,592)	-
Administrative expense	-	(24,753)	24,753
Net changes	785,020	1,191,548	(406,528)
BALANCE AT DECEMBER 31, 2017	\$ 8,109,920	\$ 7,104,430	\$ 1,005,490

The December 31, 2016 balances included amounts that were transferred into the Firefighters Pension Plan in 2017.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.25%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 2,030,232	\$ 1,005,490	\$ 143,914

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2017, the Township recognized pension expense of \$398,331. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 70,851
Changes in assumptions	211,905	-
Net difference between projected and actual earnings on pension plan investments	-	173,689
	\$ 211,905	\$ 244,540

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

**NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>December 31,</u>	\$	26,445
2018	\$ 26,443	26,443
2020	(64,480)	(64,480)
2021	(88,013)	(88,013)
2022	23,689	23,689
Thereafter	43,281	43,281

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

The OPEB Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's OPEB Plan is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due.

Plan Description

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retired employees. Spouses and other dependents are not covered by the 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 plan is accounted for as a trust fund and reported in the financial statements as a fiduciary fund. The plan does not issue a stand-alone financial report.

Plan Membership

At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>29</u>
	<u><u>30</u></u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

A retiring police officer shall have the option of being maintained on the existing health plan provided to active 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, and the retiree will have the option to add spousal or family coverage provided that the retiree pay the additional premium amounts associated with such coverage. Health plan benefits will include but will not be limited to major medical, hospitalization, prescription, vision and dental coverage.

Funding Policy

Member contributions are not required under the plan. The contribution requirements of plan members are established and may be amended by the Board of Supervisors. The Township is accounting for these expenditures on a "pay-as-you-go" basis. The costs of administering the plans are paid by the Township.

Investment Policy

The following was the Board's adopted asset allocation policy as of December 31, 2017:

Asset Class	Target Allocation
Domestic equity	50%
International equity	21%
Fixed income	28%
Real estate	0%
Cash	1%
	<hr/>
	100%
	<hr/>

Concentrations - More than 5% of the Township's investments are in U.S. stocks and mutual funds investing in U.S. stocks. These investments are 36% and 54%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 12.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net OPEB Liability of the Township

The components of the net OPEB liability of the Township at December 31, 2017, were as follows:

Total OPEB liability	\$ 1,139,452
Plan fiduciary net position	<u>(906,963)</u>
NET OPEB LIABILITY	\$ <u>232,489</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79.60%</u>

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return 5.00%

The healthcare cost trend rate is 8.0% in 2017, gradually decreasing by 1% per year to an ultimate rate of 5.0%.

Mortality rates were based on the RP-2000 Combined (Blue Collar) Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.0%
International equity	6.0%
Fixed income	2.5%
Real estate	7.0%
Cash	0.0%

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 5.00%.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at December 31, 2016	\$ 1,071,101	\$ 830,366	\$ 240,735
Changes for the year			
Service cost	57,076	-	57,076
Interest cost	55,959	-	55,959
Changes for experience	(26,678)	-	(26,678)
Changes in assumptions	-	-	-
Employer contributions	-	-	-
Net investment income	-	102,557	(102,557)
Benefit payments	(18,006)	(18,006)	-
Administrative expenses	-	(7,954)	7,954
Net changes	68,351	76,597	(8,246)
Balances at December 31, 2017	\$ 1,139,452	\$ 906,963	\$ 232,489

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the Township, calculated using the discount rate of 5.00%, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	\$ 367,076	\$ 232,489	\$ 110,996

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate -

The following presents the net OPEB liability of the Township, as well as what the Township's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0% decreasing to 4.0%) or one percentage point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	Healthcare Cost Trend	
	1% Decrease (7.0%)	1% Increase (9.0%)
	Decreasing to 4.0%)	Decreasing to 5.0%)
Net OPEB liability	\$ <u>63,446</u>	\$ <u>232,489</u>
		\$ <u>435,417</u>

Employer Disclosures in accordance with GASB Statement No. 45

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.

UPPER PROVIDENCE TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)

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	\$ 57,247
Amortization of unfunded actuarial accrued liability	28,460
Interest	4,285
	<u>ANNUAL REQUIRED CONTRIBUTION (ARC)</u>
	89,992
	<u>ANNUAL OPEB EXPENSE</u>
	89,992
Net OPEB contributions during the year	-
	<u>INCREASE IN NET OPEB OBLIGATION</u>
	89,992
Net OPEB obligation at beginning of year	<u>513,235</u>
	<u>NET OPEB OBLIGATION AT END OF YEAR</u>
	<u>\$ 603,227</u>

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 83,908	0%	\$ 431,139
2016	82,096	0%	513,235
2017	89,992	0%	603,227

Funded Status and Funding Progress

As of January 1, 2017, the actuarial accrued liability for benefits under the Township's police OPEB plan was \$1,289,733 and the actuarial value of assets was \$830,366. The covered payroll (annual payroll of active police employees covered by the plan) was \$3,273,522, and the ratio of the UAAL to the covered payroll was 14.03%.

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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - POLICE OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 includes 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, 2017 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 8% in 2017, decreasing by 1% per year to 5% in 2021. 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, 2017, is 30 years.

NOTE K - 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 L - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2017, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Parks and Recreation	\$ 550,000
Capital Projects Fund	General Fund	13,333
Capital Projects Fund	Sewer Capital Funds	375,000
Parks and Recreation Fund	General Fund	31,048
Sewer Capital Funds	Capital Projects Fund	4,200,000
Sewer Capital Funds	Sewer Revenue Funds	125,767
		\$ 5,295,148

In 2014, the Sewer Capital Fund loaned the Capital Projects Fund \$4,500,000 for the purpose of financing the construction of the new Police Administration Building. The loan is interest free and is payable over 30 years. The balance outstanding as of December 31, 2017 is \$4,200,000.

UPPER PROVIDENCE TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE L - INTERFUND RECEIVABLES AND PAYABLES (Continued)

The remaining outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems and (3) payments between funds are made.

Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Sewer Revenue Fund	\$ 368,789
Sewer Capital Fund	Sewer Revenue Fund	82,728
Parks and Recreation Fund	Capital Projects Fund	19,127
Capital Projects Fund	General Fund	<u>3,083,303</u>
		\$ <u>3,553,947</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 for the purpose of purchasing and constructing capital assets or funding operations.

NOTE M - DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Township administers a single-employer defined contribution pension plan in which all non-uniform and fire full time employees are eligible to participate. The plan became effective on January 1, 2016 and provides retirement benefits to plan members and their beneficiaries. The Township is authorized with the Board of Supervisors to establish and amend all plan provisions.

Contributions and Funding Policy

The contribution requirements of the Township and plan members are established and may be amended by the Board of Supervisors. Plan members are not required to contribute to the plan. The Township is required to contribute 10% of covered earnings. The Township contributed \$30,573 for the year ended December 31, 2017.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE N - DEFINED CONTRIBUTION OTHER POST EMPLOYMENT BENEFIT PLAN

The Township provides medical insurance benefits to eligible retired employees 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 Township contributes \$750 per year of service for non-uniform employees. The plan does not issue a stand-alone financial report.

NOTE O - PRIOR PERIOD ADJUSTMENT

As of January 1, 2017, the Township established the Firefighters Pension Fund. Prior to the establishment of the fund, the participants were members of the Non-Uniformed Pension fund. In order to establish the Firefighters Pension Fund, the balances of the Firefighters pensions were transferred into the new fund. This resulted in a prior period adjustment where the Firefighters Pension net position was increased by \$160,123 from \$0 to \$160,123 and the Non-Uniformed Pension net position was decreased by \$160,123 from \$6,073,005 to \$5,912,882.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER PROVIDENCE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes				
Real estate	\$ 2,400,000	\$ 2,400,000	\$ 2,546,622	\$ 146,622
Per capita				
Delinquent	-	-	11,060	11,060
Real estate transfer	900,000	900,000	1,437,719	537,719
Earned income	8,300,000	8,300,000	9,351,033	1,051,033
Local services tax	825,000	825,000	946,208	121,208
Lenses and permits	446,500	446,500	556,234	109,734
Fines and forfeits	123,750	123,750	148,016	24,266
Interest and rents	123,100	123,100	226,176	103,076
Intergovernmental	683,900	683,900	652,247	(31,653)
Charges for services	1,222,517	1,220,500	2,096,473	875,973
Contributions	43,500	43,500	43,500	-
Miscellaneous	66,250	66,250	197,341	131,091
TOTAL REVENUES	15,134,517	15,132,500	18,212,629	3,080,129
EXPENDITURES				
General government	1,559,399	1,681,899	1,598,915	82,984
Public safety	8,579,384	8,579,384	8,279,769	299,615
Public works				
Sanitation	91,841	91,841	100,776	(8,935)
Highways and streets	3,044,245	3,044,245	2,786,878	257,367
Culture and recreation	966,581	946,581	976,972	(30,391)
Miscellaneous	33,300	33,300	19,878	13,422
TOTAL EXPENDITURES	14,274,750	14,377,250	13,763,188	614,062
EXCESS OF REVENUES OVER EXPENDITURES	859,767	755,250	4,449,441	3,694,191
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	408,297	408,297	368,789	(39,508)
Interfund transfers out	(1,268,064)	(1,546,148)	(3,083,303)	(1,537,155)
TOTAL OTHER FINANCING SOURCES (USES)	(859,767)	(1,137,851)	(2,714,514)	(1,576,663)
NET CHANGE IN FUND BALANCES	\$ -	\$ (382,601)	1,734,927	\$ 2,117,528
FUND BALANCES AT BEGINNING OF YEAR			10,861,058	
FUND BALANCES AT END OF YEAR			\$ 12,595,985	

UPPER PROVIDENCE TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2017

NOTE A - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2017, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

Public works		
Sanitation	\$	(8,935)
Culture and recreation		(30,391)

These excess expenditures as well as the final budget deficit were funded by available fund balance.

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 463,452	\$ 396,226	\$ 387,825	\$ 284,568
Interest	814,637	744,946	652,652	615,930
Differences between expected and actual experience	20,217	37,499	49,856	108,805
Changes of assumptions	-	-	421,577	-
Benefit payments	(240,542)	(392,847)	(186,598)	(656,573)
NET CHANGE IN TOTAL PENSION LIABILITY	1,057,764	785,824	1,325,312	352,730
Total pension liability, beginning	10,518,639	9,732,815	8,407,503	8,054,773
TOTAL PENSION LIABILITY, ENDING (a)	\$ 11,576,403	\$ 10,518,639	\$ 9,732,815	\$ 8,407,503
PLAN FIDUCIARY NET POSITION				
Contributions, employer	\$ 572,772	\$ 550,812	\$ 572,828	\$ 455,099
Contributions-member	9,734	-	-	-
Net investment income	1,215,081	391,914	(197,384)	96,167
Benefit payments, including refunds of member contributions	(240,524)	(392,847)	(186,598)	(656,573)
Administrative expense	(30,868)	(21,165)	(12,150)	(9,425)
Other	-	-	-	(20,828)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,526,195	528,714	176,696	(135,560)
Plan fiduciary net position, beginning	8,028,473	7,499,759	7,323,063	7,458,623
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 9,554,668	\$ 8,028,473	\$ 7,499,759	\$ 7,323,063
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 2,021,735	\$ 2,490,166	\$ 2,233,056	\$ 1,084,440
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	82.54%	76.33%	77.06%	87.10%
COVERED-EMPLOYEE PAYROLL	\$ 3,177,170	\$ 2,871,440	\$ 2,632,396	\$ 2,142,334
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	63.63%	86.72%	84.83%	50.62%

NOTES TO SCHEDULE

Changes of Assumptions: In 2015, the discount rate was changed from 8.0% to 7.5%

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
ACTUARILY DETERMINED CONTRIBUTION	\$ 572,772	\$ 501,532	\$ 472,828	\$ 455,099
CONTRIBUTIONS IN RELATION TO THE ACTUARILY DETERMINED CONTRIBUTION	<u>572,772</u>	<u>550,812</u>	<u>572,828</u>	<u>455,099</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>(49,280)</u>	\$ <u>(100,000)</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,177,170</u>	<u>\$ 2,871,440</u>	<u>\$ 2,632,396</u>	<u>\$ 2,142,334</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>18.03%</u>	<u>17.47%</u>	<u>17.96%</u>	<u>21.24%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	9 years	10 years
Asset valuation method	Market value	Market value
Inflation	3%	3%
Salary increases	5.0%, average, including inflation	5.0%, including inflation
Investment rate of return	7.5%	8.0%
Retirement age	Normal retirement age	Normal retirement age
Mortality	RP-2000 Table (Blue Collar) with Scale AA	RP-2000 Table

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF POLICE PENSION PLAN

INVESTMENT RETURNS

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>15.04%</u>	<u>5.20%</u>	<u>-1.75%</u>	<u>1.22%</u>

NOTES TO SCHEDULE

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN THE NET FIREFIGHTERS' PENSION PLAN LIABILITY AND RELATED RATIOS LAST FISCAL YEAR

	2017
TOTAL PENSION LIABILITY	
Service cost	\$ 45,678
Interest	17,951
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	-
NET CHANGE IN TOTAL PENSION LIABILITY	<hr/>
	63,629
Total pension liability, beginning	<hr/> 201,927
TOTAL PENSION LIABILITY, ENDING (a)	<hr/> \$ 265,556
PLAN FIDUCIARY NET POSITION	
Contributions, employer	\$ 43,053
Net investment income	28,540
Benefit payments, including refunds of member contributions	-
Administrative expense	(1,283)
Other	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<hr/>
	70,310
Plan fiduciary net position, beginning	<hr/> 160,123
PLAN FIDUCIARY NET POSITION, ENDING (b)	<hr/> \$ 230,433
NET PENSION LIABILITY, ENDING (a)-(b)	<hr/> \$ 35,123
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<hr/> 86.8%
COVERED-EMPLOYEE PAYROLL	<hr/> \$ 351,928
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<hr/> 10.0%

NOTES TO SCHEDULE

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

The January 1, 2017 beginning balance was transferred from the Non-uniform Pension Plan in 2017.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF FIREFIGHTERS' PENSION PLAN CONTRIBUTIONS LAST FISCAL YEAR

ACTUARILLY DETERMINED CONTRIBUTION	\$ 38,053
CONTRIBUTIONS IN RELATION TO THE ACTUARILLY DETERMINED CONTRIBUTION	<u>43,053</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>(5,000)</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>351,928</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>12.23%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2017

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	8 years
Asset valuation method	Fair value
Inflation	3%
Salary increases	5.5%, including inflation
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	RP-2000 Table

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF FIREFIGHTERS' PENSION PLAN
INVESTMENT RETURNS
LAST FISCAL YEAR

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF
INVESTMENT EXPENSE

16.20%

NOTES TO SCHEDULE

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 231,448	\$ 208,048	\$ 210,528	\$ 231,604
Interest	555,741	519,184	484,522	451,078
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(28,083)	-	(77,520)	-
Changes of assumptions	244,506	-	-	-
Benefit payments, including refunds of member contributions	(218,592)	(301,754)	(130,184)	(115,673)
NET CHANGE IN TOTAL PENSION LIABILITY	785,020	425,478	487,346	567,009
Total pension liability, beginning	<u>7,324,900</u>	<u>7,101,349</u>	<u>6,614,003</u>	<u>6,046,994</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 8,109,920</u>	<u>\$ 7,526,827</u>	<u>\$ 7,101,349</u>	<u>\$ 6,614,003</u>
PLAN FIDUCIARY NET POSITION				
Contributions, employer	\$ 462,171	\$ 518,487	\$ 578,071	\$ 503,231
Net investment income	972,722	288,734	(46,128)	283,402
Benefit payments, including refunds of member contributions	(218,592)	(301,754)	(130,184)	(115,673)
Administrative expense	(24,753)	(33,832)	(39,303)	(29,410)
Other	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,191,548	471,635	362,456	641,550
Plan fiduciary net position, beginning	<u>5,912,882</u>	<u>5,601,370</u>	<u>5,238,914</u>	<u>4,597,364</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 7,104,430</u>	<u>\$ 6,073,005</u>	<u>\$ 5,601,370</u>	<u>\$ 5,238,914</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 1,005,490</u>	<u>\$ 1,453,822</u>	<u>\$ 1,499,979</u>	<u>\$ 1,375,089</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>87.6%</u>	<u>80.7%</u>	<u>78.9%</u>	<u>79.2%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,466,467</u>	<u>\$ 2,145,038</u>	<u>\$ 2,305,168</u>	<u>\$ 1,968,721</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>68.6%</u>	<u>67.8%</u>	<u>65.1%</u>	<u>69.8%</u>

NOTES TO SCHEDULE

Changes of Assumptions: In 2017, the mortality rates were based on the RP-2014 Mortality Table. In prior years, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table.

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

The January 1, 2017 beginning balances included amounts that were transferred into the Firefighters Pension Plan in 2017.

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
ACTUARILY DETERMINED CONTRIBUTION	\$ 432,169	\$ 478,988	\$ 478,071	\$ 503,231
CONTRIBUTIONS IN RELATION TO THE ACTUARILY DETERMINED CONTRIBUTION	<u>462,171</u>	<u>518,487</u>	<u>578,071</u>	<u>503,231</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>(30,002)</u>	\$ <u>(39,499)</u>	\$ <u>(100,000)</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,466,467</u>	<u>\$ 2,145,038</u>	<u>\$ 2,305,168</u>	<u>\$ 1,968,721</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>31.52%</u>	<u>24.17%</u>	<u>25.08%</u>	<u>25.56%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	8 years	10 years
Asset valuation method	Fair value	Market value
Inflation	3%	3%
Salary increases	5.5%, including inflation	5.5%, including inflation
Investment rate of return	7.25%	7.25%
Retirement age	Normal retirement age	Normal retirement age
Mortality	RP-2000 Table	RP-2000 Table

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>16.09%</u>	<u>5.20%</u>	<u>-0.82%</u>	<u>6.14%</u>

NOTES TO SCHEDULE

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP

SCHEDULE OF CHANGES IN THE POLICE OTHER POSTEMPLOYMENT BENEFITS PLAN LIABILITY AND RELATED RATIOS LAST FISCAL YEAR

TOTAL OPEB LIABILITY

Service cost	\$ 57,076
Interest	55,959
Differences between expected and actual experience	(26,678)
Benefit payments	(18,006)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>68,351</u>

TOTAL OPEB LIABILITY, BEGINNING

TOTAL OPEB LIABILITY, ENDING (a) \$ 1,071,101

PLAN FIDUCIARY NET POSITION

Contributions	\$ -
Employer	
Net investment income	102,557
Benefit payments, including refunds of member contributions	(18,006)
Administrative expense	(7,954)

NET CHANGE IN PLAN FIDUCIARY NET POSITION

Plan fiduciary net position, beginning	<u>830,366</u>
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PLAN FIDUCIARY NET POSITION, ENDING (b) \$ 906,963

NET OPEB LIABILITY, ENDING (a)-(b) \$ 232,489

PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY

79.60%

COVERED-EMPLOYEE PAYROLL

\$ 3,273,522

NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL

7.10%

NOTES TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF POLICE OTHER POSTEMPLOYMENT
BENEFITS PLAN CONTRIBUTIONS
LAST FISCAL YEAR

Actuarially determined contribution	\$	-
Contributions in relation to the actuarially determined contribution	<hr/>	<hr/>
Contribution deficiency	\$	<hr/>
Covered-employee payroll	\$	<hr/>
Contribution as a percentage of covered-employee payroll	<hr/>	0.00%

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/17
Actuarial cost method	Entry age
Amortization method	Percentage of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value
Salary increases	None assumed
Investment rate of return	5.00%
Mortality	RP-2000 Combined (Blue Collar) Mortality Table
Healthcare cost trend rates	8% decreasing to 5%

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF POLICE OTHER POSTEMPLOYMENT
BENEFITS PLAN INVESTMENT RETURNS
LAST FISCAL YEAR

Annual money-weighted rate of return, net of investment expense	<u>12.12%</u>
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NOTES TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER PROVIDENCE TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER
THAN PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FUNDING PROGRESS

Police Other Postemployment Benefit Plan

Valuation Date January 1,	(a) Actuarial Value of Assets		(b) Entry Age Actuarial Accrued Liability (AAL)		(c) Unfunded AAL (UAAL) (b)-(a)		(d) Funded Ratio (a)/(b)		(e) Covered Payroll		(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2011	\$ 571,710		\$ 1,154,525		\$ 582,815		49.52%		\$ 2,104,794		27.69%
2014	584,474		1,174,996		590,522		49.74%		2,142,334		27.56%
2017	830,366		1,289,733		459,367		64.38%		3,273,522		14.03%