

UPPER PROVIDENCE TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



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INTRODUCTORY SECTION

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, 2015, 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, 2015, 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, 2015, Upper Providence Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. 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 page 58, pension plan information on pages 59 through 65 and postemployment benefits other than pension funding progress on page 66 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.

Maillie LLP

Oaks, Pennsylvania
June 28, 2016

UPPER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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, 2015. 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 \$87,156,688 (net position).
- The Township's total net position decreased by \$1,578,921.

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.
- *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.

UPPER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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

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

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

REPORTING THE TOWNSHIP AS A WHOLE

Statistics

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

Statement of Net Position and Statement of Activities

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

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

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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 2014.

Table 1
Statements of Net Position
Years Ended December 31, 2014 and 2015

	Governmental Activities	
	2014	2015
ASSETS		
Cash and investments	\$ 18,204,985	\$ 14,060,733
Other assets	2,118,421	2,102,267
Internal balances	(4,650,000)	(4,500,000)
Capital assets	<u>47,573,147</u>	<u>49,727,487</u>
TOTAL ASSETS	<u>63,246,553</u>	<u>61,390,487</u>
LIABILITIES		
Other liabilities	<u>2,379,707</u>	<u>2,299,851</u>
NET POSITION		
Net investment in capital assets	47,573,147	49,727,487
Restricted	142,461	142,461
Unrestricted	<u>13,151,238</u>	<u>9,220,688</u>
TOTAL NET POSITION	<u>\$ 60,866,846</u>	<u>\$ 59,090,636</u>

Cash and investments represent 22.91% of Upper Providence Township's total governmental assets. .

By far the largest portion of the Township's governmental assets, 81.01%, 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 \$17.9 million in cash and investments allows for future investment in the sewer facilities.

Accumulated depreciation reflects 47.58% of total capital assets for governmental activities and 55.51% 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 \$(1,776,210) for governmental activities and \$197,289 for business-type activities.

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2014 to 2015</u>
<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	
17,814,695	\$ 17,965,820	\$ 36,019,680	\$ 32,026,553	-11.09%
235,445	253,070	2,353,866	2,355,337	0.06%
4,650,000	4,500,000	-	-	0.00%
<u>5,241,077</u>	<u>5,390,782</u>	<u>52,814,224</u>	<u>55,118,269</u>	4.36%
<u>27,941,217</u>	<u>28,109,672</u>	<u>91,187,770</u>	<u>89,500,159</u>	-1.85%
<u>72,454</u>	<u>43,620</u>	<u>2,452,161</u>	<u>2,343,471</u>	-4.43%
5,241,077	5,390,782	52,814,224	55,118,269	4.36%
19,184,027	18,732,009	19,326,488	18,874,470	-2.34%
<u>3,443,659</u>	<u>3,943,261</u>	<u>16,594,897</u>	<u>13,163,949</u>	-20.67%
<u>27,868,763</u>	\$ <u>28,066,052</u>	\$ <u>88,735,609</u>	\$ <u>87,156,688</u>	-1.78%

UPPER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenues and transfers for governmental activities for fiscal 2015 were \$14,679,163. Revenues and transfers by source were as follows:

	<u>Amount</u>	<u>Percent of Total</u>
REVENUES AND TRANSFERS		
Per capita taxes	\$ 55,413	0.38%
Real estate transfer taxes	1,092,852	7.44%
Earned income taxes	8,303,081	56.56%
Local services tax	774,907	5.28%
Special assessments	52,439	0.36%
Franchise tax	538,564	3.67%
Public realty tax and licenses	11,695	0.08%
Interest income	83,051	0.57%
Gain on sale of capital assets	6,075	0.04%
Interfund transfers, net	157,523	1.07%
Miscellaneous	176,194	1.20%
Charges for services	1,725,958	11.76%
Operating grants and contributions	616,660	4.20%
Capital grants and contributions	<u>1,084,751</u>	<u>7.39%</u>
TOTAL	\$ <u>14,679,163</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 2015 were \$16,203,797. Expenditures by source were as follows:

	<u>Amount</u>	<u>Percent of Total</u>
EXPENDITURES		
General government	\$ 2,079,747	12.83%
Public safety	7,693,891	47.48%
Health and welfare	25,000	0.15%
Public works		
Sanitation	35,184	0.22%
Highways and streets	2,332,715	14.40%
Culture and recreation	1,039,911	6.42%
Depreciation (unallocated)	2,951,372	18.21%
Miscellaneous	<u>45,977</u>	<u>0.28%</u>
TOTAL	\$ <u>16,203,797</u>	<u>100.00%</u>

UPPER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

For the most part, increases in expenses during fiscal 2015 were due to increased costs for public safety and highways and streets.

Table 2
Changes in Net Position
Years Ended December 31, 2014 and 2015

	Governmental Activities	
	2014	2015
REVENUES		
Program revenues		
Charges for services	\$ 1,664,912	\$ 1,725,958
Operating grants and contributions	656,376	616,660
Capital grants and contributions	1,487,157	1,084,751
General revenues		
Per capita taxes	56,931	55,413
Real estate transfer taxes	1,130,984	1,092,852
Earned income taxes	7,911,333	8,303,081
Local services tax	889,491	774,907
Special assessments	54,978	52,439
Franchise tax	517,376	538,564
Public realty tax and licenses	11,900	11,695
Interest income	55,081	83,051
Gain on sale of capital assets	47,327	6,075
Interfund transfers, net	178,959	157,523
Miscellaneous	162,015	176,194
	<u>14,824,820</u>	<u>14,679,163</u>
EXPENSES		
General government	2,033,554	2,079,747
Public safety	7,119,898	7,693,891
Health and welfare	25,000	25,000
Public works		
Sanitation	106,869	35,184
Highways and streets	2,048,559	2,332,715
Culture and recreation	1,204,572	1,039,911
Depreciation (unallocated)	2,942,220	2,951,372
Miscellaneous	19,149	45,977
Sewer	-	-
	<u>15,499,821</u>	<u>16,203,797</u>
CHANGE IN NET POSITION	(675,001)	(1,524,634)
NET POSITION, BEGINNING	<u>62,068,914</u>	<u>61,393,913</u>
NET POSITION, ENDING	<u>\$ 61,393,913</u>	<u>\$ 59,869,279</u>

Business-Type Activities		Total Primary Government		Total Percentage Change 2014 to 2015
2014	2015	2014	2015	
\$ 2,679,001	\$ 2,745,821	\$ 4,343,913	\$ 4,471,779	2.94%
-	-	656,376	616,660	-6.05%
-	-	1,487,157	1,084,751	-27.06%
-	-	56,931	55,413	-2.67%
-	-	1,130,984	1,092,852	-3.37%
-	-	7,911,333	8,303,081	4.95%
-	-	889,491	774,907	-12.88%
-	-	54,978	52,439	-4.62%
-	-	517,376	538,564	4.10%
-	-	11,900	11,695	-1.72%
51,890	70,796	106,971	153,847	43.82%
-	-	47,327	6,075	126.44%
(178,959)	(157,523)	-	-	0.00%
-	-	162,015	176,194	8.75%
<u>2,551,932</u>	<u>2,659,094</u>	<u>17,376,752</u>	<u>17,338,257</u>	-0.22%
-	-	2,033,554	2,079,747	2.27%
-	-	7,119,898	7,693,891	8.06%
-	-	25,000	25,000	0.00%
-	-	106,869	35,184	-67.08%
-	-	2,048,559	2,332,715	13.87%
-	-	1,204,572	1,039,911	-13.67%
-	-	2,942,220	2,951,372	0.31%
-	-	19,149	45,977	140.10%
2,419,189	2,461,805	2,419,189	2,461,805	1.76%
<u>2,419,189</u>	<u>2,461,805</u>	<u>17,919,010</u>	<u>18,665,602</u>	4.17%
132,743	197,289	(542,258)	(1,327,345)	-144.78%
<u>27,849,715</u>	<u>27,982,458</u>	<u>89,918,629</u>	<u>89,376,371</u>	-0.60%
<u>\$ 27,982,458</u>	<u>\$ 28,179,747</u>	<u>\$ 89,376,371</u>	<u>\$ 88,049,026</u>	-1.49%

UPPER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Culture and Recreation Highlights

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

General Fund Budgetary Highlights

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

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

Business-Type Activities

Business-type activities comprise the Township's sewer system. Total revenue from this activity is \$2,816,617 (see changes in Business-Type Activities). Charges for services account for 97.49% 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 2014 or 2015. 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 (LPVRSAs), 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, 2015, totals \$55,118,269 (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.

Table 3
Capital Assets at Year-End (Including Additions)
Year Ended December 31, 2015

	Balance at December 31, <u>2014</u>	Net Additions	Balance at December 31, <u>2015</u>
GOVERNMENTAL ACTIVITIES			
Capital assets not being depreciated			
Land	\$ 7,575,980	\$ 304,401	\$ 7,880,381
Construction in progress	1,753,515	(1,753,515)	-
Capital assets being depreciated			
Land improvements	3,401,714	4,900	3,406,614
Infrastructure	58,492,504	568,562	59,061,066
Automobiles	4,613,390	311,107	4,924,497
Building and improvements	10,081,103	5,251,818	15,332,921
Equipment, furniture and fixtures	3,826,740	418,439	4,245,179
	<u>89,744,946</u>	<u>5,105,712</u>	<u>94,850,658</u>
Accumulated depreciation	(42,171,799)	(2,951,372)	(45,123,171)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>47,573,147</u>	<u>2,154,340</u>	<u>49,727,487</u>
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	<u>47,573,147</u>	<u>2,154,340</u>	<u>49,727,487</u>
BUSINESS-TYPE ACTIVITIES			
Capital assets being depreciated			
Sewage system	11,680,340	434,256	12,114,596
Accumulated depreciation	(6,439,263)	(284,551)	(6,723,814)
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS	<u>5,241,077</u>	<u>149,705</u>	<u>5,390,782</u>
CAPITAL ASSETS, net	<u>\$ 52,814,224</u>	<u>\$ 2,304,045</u>	<u>\$ 55,118,269</u>

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. 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 will allow the Police Department to pursue accreditation 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, 2015 and 2014. Balances were paid in full during 2012.

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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 Restaurants, The Movie Tavern and Firebirds.

Collections of the earned income taxes are also a good indicator of local economic conditions. For 2015, the Township's collection of these taxes was \$8,303,081.

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, 2015

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

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

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NOTES:

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

Source: Upper Providence Township Financial Statements

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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

<u>Year</u>	<u>(1) Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levied Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
2006	\$ -	\$ -	\$ N/A	\$ 213	\$ 213	N/A	\$ -	N/A
2007	-	-	N/A	-	-	N/A	-	N/A
2008	-	-	N/A	-	-	N/A	-	N/A
2009	-	-	N/A	-	-	N/A	-	N/A
2010	-	-	N/A	-	-	N/A	-	N/A
2011	-	-	N/A	-	-	N/A	-	N/A
2012	-	-	N/A	-	-	N/A	-	N/A
2013	-	-	N/A	-	-	N/A	-	N/A
2014	-	-	N/A	-	-	N/A	-	N/A
2015	-	-	N/A	-	-	N/A	-	N/A

NOTES:

(1) Includes all Township millages.

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

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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

<u>Year</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Ratio of Total Assessed to Total Estimated Actual Value (1)</u>
2006	\$ 1,854,865,000	\$ 1,854,865,000	100.0
2007	1,925,274,850	1,925,274,850	100.0
2008	1,959,124,598	1,959,124,598	100.0
2009	1,999,815,038	1,999,815,038	100.0
2010	2,041,449,590	2,041,449,590	100.0
2011	1,955,568,835	1,955,568,835	100.0
2012	1,984,400,565	1,984,400,565	100.0
2013	2,026,313,185	2,026,313,185	100.0
2014	2,067,307,175	2,067,307,175	100.0
2015	2,128,084,006	2,128,084,006	100.0

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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, 2015

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

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

<u>Year</u>	<u>Upper Providence Township</u>	<u>Spring-Ford Area School District</u>	<u>Montgomery County</u>	<u>Total Millage</u>
2006	0.00	20.40	2.89	23.29
2007	0.00	21.27	2.89	24.16
2008	0.00	22.19	2.70	24.89
2009	0.00	23.07	2.70	25.77
2010	0.00	23.53	2.89	26.42
2011	0.00	24.29	3.15	27.44
2012	0.00	24.77	3.15	27.92
2013	0.00	25.25	3.15	28.40
2014	0.00	26.02	3.15	29.17
2015	0.00	26.06	3.15	29.21

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, 2015

Table 9
Ten Largest Employers (Unaudited)
2015

	<u>Business Name</u>	<u>Type of Business</u>	<u>Employees</u>
1)	SEI Investments	Investments	2,343
2)	Wyeth Pharmaceuticals, Inc.	Pharmaceutical	1,254
3)	GlaxoSmithKline	Pharmaceutical	1,151
4)	Pfizer	Pharmaceutical	633
5)	Park House Nursing and Rehabilitation Center	Nursing	581
6)	Wegman's Food Market	Grocery Store	552
7)	Rohm and Haas Chemicals, LLC	Pharmaceutical	512
8)	Spring-Ford Area School District	Education	495
9)	Quest Diagnostics	Diagnostics	471
10)	Target Corporation	Retail	392
			<u>8,384</u>

NOTES:

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

Source: Upper Providence Township Earned Income Tax Collector

UPPER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

Table 10
Miscellaneous Statistics
2015

<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: 39 Percent Under 18: 22% Percent 18-64: 67% Percent 65 and over: 11%
<u>Fire Protection:</u>	Volunteer Fire Company: Black Rock Fire Company
<u>Police Department:</u>	1 Station 28 Sworn Officers
<u>Township Employees:</u>	33 Non-uniform 44 Part-time and seasonal
<u>Race/Ethnicity:</u>	Caucasian: 88.2% African-American: 2.6% Asian: 6.8% Other: 2.6%
<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, 2015

Table 10 (Continued)
Miscellaneous Statistics
2015

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

Finances:

Median Family Income:	\$133,548
Median Household Income:	\$117,627
Per Capita Income:	\$48,459
Individuals Below Poverty Level:	3.0%
Families Below Poverty Level:	2.1%

Educational Achievement:

High School Graduates:	96.5%
College Graduates:	56.7%

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 (2010 - 2014)

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 13,117,651	\$ 3,696,894	\$ 16,814,545
Receivables	138,730	235,070	373,800
Internal balances	(4,500,000)	4,500,000	-
Taxes receivable	1,508,250	-	1,508,250
Notes receivable	211,714	-	211,714
Due from developers	135,411	-	135,411
Prepaid items	108,162	-	108,162
Restricted assets			
Cash equivalents	943,082	14,268,926	15,212,008
Deposits on EDU's	-	18,000	18,000
Capital assets			
Land	7,880,381	-	7,880,381
Land improvements	3,406,614	-	3,406,614
Sewer system	-	12,114,596	12,114,596
Infrastructure	59,061,066	-	59,061,066
Automobiles	4,924,497	-	4,924,497
Building and improvements	15,332,921	-	15,332,921
Equipment, furniture and fixtures	4,245,179	-	4,245,179
Construction in progress	-	-	-
Accumulated depreciation	(45,123,171)	(6,723,814)	(51,846,985)
TOTAL ASSETS	61,390,487	28,109,672	89,500,159
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	1,595,781	-	1,595,781
LIABILITIES			
Accounts payable	312,905	43,620	356,525
Due to developers	943,082	-	943,082
Unearned revenues	2,070	-	2,070
Long-term liabilities			
Compensated absences	610,655	-	610,655
Other postemployment benefits	431,139	-	431,139
Net pension liability	3,733,035	-	3,733,035
TOTAL LIABILITIES	6,032,886	43,620	6,076,506
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	67,184	-	67,184
NET POSITION			
Net investment in capital assets	49,727,487	5,390,782	55,118,269
Restricted	142,461	18,732,009	18,874,470
Unrestricted	7,016,250	3,943,261	10,959,511
TOTAL NET POSITION	\$ 56,886,198	\$ 28,066,052	\$ 84,952,250

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 2,079,747	\$ -	\$ 3,515	\$ -
Public safety	7,693,891	1,235,357	541,791	-
Health and welfare	25,000	-	-	-
Public works				
Sanitation	35,184	-	-	-
Highways and streets	2,332,715	5,775	66,343	526,691
Culture and recreation	1,039,911	484,826	8,526	558,060
Depreciation (unallocated)	2,951,372	-	-	-
Miscellaneous	45,977	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	16,203,797	1,725,958	620,175	1,084,751
Business-type activities				
Sewer and sewer capital	2,461,805	2,745,821	-	-
TOTAL PRIMARY GOVERNMENT	\$ 18,665,602	\$ 4,471,779	\$ 620,175	\$ 1,084,751

GENERAL REVENUES

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

TRANSFERS

Interfund transfers, net

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,076,232)	\$ -	\$ (2,076,232)
(5,916,743)	-	(5,916,743)
(25,000)	-	(25,000)
(35,184)	-	(35,184)
(1,733,906)	-	(1,733,906)
11,501	-	11,501
(2,951,372)	-	(2,951,372)
(45,977)	-	(45,977)
<u>(12,772,913)</u>	<u>-</u>	<u>(12,772,913)</u>
-	284,016	284,016
<u>(12,772,913)</u>	<u>284,016</u>	<u>(12,488,897)</u>
55,413	-	55,413
1,092,852	-	1,092,852
8,303,081	-	8,303,081
774,907	-	774,907
52,439	-	52,439
538,564	-	538,564
11,695	-	11,695
176,194	-	176,194
83,051	70,796	153,847
6,075	-	6,075
157,523	(157,523)	-
<u>11,251,794</u>	<u>(86,727)</u>	<u>11,165,067</u>
(1,521,119)	197,289	(1,323,830)
<u>58,407,317</u>	<u>27,868,763</u>	<u>86,276,080</u>
<u>\$ 56,886,198</u>	<u>\$ 28,066,052</u>	<u>\$ 84,952,250</u>

UPPER PROVIDENCE TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund	Capital Projects Fund	Parks and Recreation Fund	State Liquid Fuels Highway Aid Fund (Nonmajor)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,650,326	\$ 1,569,474	\$ 3,900,867	\$ 996,984	\$ 13,117,651
Receivables	138,730	-	-	-	138,730
Taxes receivable	1,507,779	-	-	-	1,507,779
Notes receivable	-	211,714	-	-	211,714
Due from other funds	-	39,061	-	-	39,061
Due from developers	135,411	-	-	-	135,411
Prepaid expenses	106,162	-	2,000	-	108,162
Restricted assets, cash and cash equivalents	943,082	-	-	-	943,082
TOTAL ASSETS	\$ 9,481,490	\$ 1,820,249	\$ 3,902,867	\$ 996,984	\$ 16,201,590
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 135,000	\$ 165,591	\$ 12,314	\$ -	\$ 312,905
Due to other funds	39,061	4,500,000	-	-	4,539,061
Unearned revenue	300	-	1,770	-	2,070
Due to developers	943,082	-	-	-	943,082
TOTAL LIABILITIES	1,117,443	4,665,591	14,084	-	5,797,118
FUND BALANCES					
Nonspendable					
Prepaid expenses	106,162	-	-	-	106,162
Notes receivable	-	211,714	-	-	211,714
Restricted					
Escrows	135,411	-	-	-	135,411
Highway improvements	-	-	-	996,984	996,984
Committed					
Parks and recreation	-	-	3,888,783	-	3,888,783
Assigned					
Fire apparatus improvements	-	533,289	-	-	533,289
Open space acquisition	-	529,985	-	-	529,985
Unassigned	8,122,474	(4,120,330)	-	-	4,002,144
TOTAL FUND BALANCES	8,364,047	(2,845,342)	3,888,783	996,984	10,404,472
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,481,490	\$ 1,820,249	\$ 3,902,867	\$ 996,984	\$ 16,201,590

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, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 10,404,472
Capital assets used in governmental activities are not financial resources and	
Land	7,880,381
Land improvements	3,406,614
Infrastructure	59,061,066
Automobiles	4,924,497
Building and improvements	15,332,921
Equipment, furniture and fixtures	4,245,179
Accumulated depreciation	(45,123,171)
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	(431,139)
Compensated absences	(610,655)
Net pension liability	(3,733,035)
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	1,528,597
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables in the funds.	<u>471</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 56,886,198</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, 2015

	General Fund	Capital Projects Fund	Parks and Recreation Fund	State Liquid Fuels Highway Aid Fund (Nonmajor)	Total Governmental Funds
REVENUES					
Taxes					
Per capita	\$ 55,413	\$ -	\$ -	\$ -	\$ 55,413
Real estate transfer	1,092,852	-	-	-	1,092,852
Earned income	8,303,081	-	-	-	8,303,081
Local services tax	774,907	-	-	-	774,907
Licenses and permits	515,284	-	-	-	515,284
Fines and forfeits	147,566	-	-	-	147,566
Interest and rents	138,770	7,429	11,001	1,451	158,651
Intergovernmental	618,629	-	-	526,691	1,145,320
Charges for services	1,080,791	-	470,381	-	1,551,172
Contributions	55,215	522,000	44,586	-	621,801
Miscellaneous	93,033	66,075	-	-	159,108
	<u>12,875,541</u>	<u>595,504</u>	<u>525,968</u>	<u>528,142</u>	<u>14,525,155</u>
EXPENDITURES					
General government	2,095,741	1,015,943	-	-	3,111,684
Public safety	7,675,335	318,522	-	-	7,993,857
Health and welfare	25,000	-	-	-	25,000
Public works					
Sanitation	36,475	-	-	-	36,475
Highways and streets	2,145,715	554,947	-	126,541	2,827,203
Culture and recreation	572,079	3,076,861	841,386	-	4,490,326
Miscellaneous	45,977	-	-	-	45,977
	<u>12,596,322</u>	<u>4,966,273</u>	<u>841,386</u>	<u>126,541</u>	<u>18,530,522</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>279,219</u>	<u>(4,370,769)</u>	<u>(315,418)</u>	<u>401,601</u>	<u>(4,005,367)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	897,503	1,479,160	1,750,000	-	4,126,663
Interfund transfers out	(998,604)	(2,230,556)	(739,980)	-	(3,969,140)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(101,101)</u>	<u>(751,396)</u>	<u>1,010,020</u>	<u>-</u>	<u>157,523</u>
NET CHANGE IN FUND BALANCES	178,118	(5,122,165)	694,602	401,601	(3,847,844)
FUND BALANCES AT BEGINNING OF YEAR	<u>8,185,929</u>	<u>2,276,823</u>	<u>3,194,181</u>	<u>595,383</u>	<u>14,252,316</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,364,047</u>	<u>\$ (2,845,342)</u>	<u>\$ 3,888,783</u>	<u>\$ 996,984</u>	<u>\$ 10,404,472</u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,847,844)
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 exceed depreciation expense in the current period.	2,154,340
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.	(83,908)
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.	255,091
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.	<u>1,202</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,521,119)</u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2015

	Enterprise Funds			Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	Municipal Authority	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,925,312	\$ -	\$ 1,771,582	\$ 3,696,894
Receivables	235,070	-	-	235,070
Due from other funds	-	4,500,000	-	4,500,000
TOTAL CURRENT ASSETS	2,160,382	4,500,000	1,771,582	8,431,964
NONCURRENT ASSETS				
Restricted assets				
Cash equivalents	-	14,268,926	-	14,268,926
Deposits on EDU's	18,000	-	-	18,000
TOTAL RESTRICTED ASSETS	18,000	14,268,926	-	14,286,926
Capital assets				
Sewer system	-	12,114,596	-	12,114,596
Accumulated depreciation	-	(6,723,814)	-	(6,723,814)
TOTAL CAPITAL ASSETS, net of accumulated depreciation	-	5,390,782	-	5,390,782
TOTAL NONCURRENT ASSETS	18,000	19,659,708	-	19,677,708
TOTAL ASSETS	2,178,382	24,159,708	1,771,582	28,109,672
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	6,703	36,917	-	43,620
NET POSITION				
Net investment in capital assets	-	5,390,782	-	5,390,782
Restricted	-	18,732,009	-	18,732,009
Unrestricted	2,171,679	-	1,771,582	3,943,261
TOTAL NET POSITION	\$ 2,171,679	\$ 24,122,791	\$ 1,771,582	\$ 28,066,052

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, 2015

	Enterprise Funds			Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	Municipal Authority	
OPERATING REVENUES				
Charges for sales and services				
Sewer rents	\$ 2,177,077	\$ -	\$ -	\$ 2,177,077
Connection and other fees	568,744	-	-	568,744
TOTAL OPERATING REVENUES	2,745,821	-	-	2,745,821
OPERATING EXPENSES				
Contracted services	1,974,841	36,850	-	2,011,691
Supplies	10,431	-	-	10,431
Miscellaneous	15,337	29,215	2,788	47,340
Professional services	35,314	4,938	-	40,252
Repairs and maintenance	36,242	9,800	-	46,042
Electric and water	17,882	-	-	17,882
Insurance	3,616	-	-	3,616
Depreciation	-	284,551	-	284,551
TOTAL OPERATING EXPENSES	2,093,663	365,354	2,788	2,461,805
OPERATING INCOME (LOSS)	652,158	(365,354)	(2,788)	284,016
NONOPERATING REVENUES				
Earnings on investments	3,720	63,041	4,035	70,796
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	655,878	(302,313)	1,247	354,812
INTERFUND TRANSFERS				
Transfers out	(157,523)	-	-	(157,523)
CHANGE IN NET POSITION	498,355	(302,313)	1,247	197,289
NET POSITION AT BEGINNING OF YEAR	1,673,324	24,425,104	1,770,335	27,868,763
NET POSITION AT END OF YEAR	\$ 2,171,679	\$ 24,122,791	\$ 1,771,582	\$ 28,066,052

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds			Total Proprietary Funds
	Sewer Revenue Fund	Sewer Capital Funds	Municipal Authority	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,728,196	\$ -	\$ -	\$ 2,728,196
Payments to suppliers	(2,109,058)	(94,242)	(2,788)	(2,206,088)
Payments to other funds	150,000	-	-	150,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	769,138	(94,242)	(2,788)	672,108
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	(157,523)	-	-	(157,523)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition, construction and improvement of capital assets	-	(434,256)	-	(434,256)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	3,720	63,041	4,035	70,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	615,335	(465,457)	1,247	151,125
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,309,977	14,734,383	1,770,335	17,814,695
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,925,312	\$ 14,268,926	\$ 1,771,582	\$ 17,965,820
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 652,158	\$ (365,354)	\$ (2,788)	\$ 284,016
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	284,551	-	284,551
Increase (decrease) in				
Receivables	(17,625)	-	-	(17,625)
Due from other funds	150,000	-	-	150,000
Increase (decrease) in accounts payable	(15,395)	(13,439)	-	(28,834)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 769,138	\$ (94,242)	\$ (2,788)	\$ 672,108

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Post-Retirement Health Benefit Fund</u>
ASSETS			
Cash and cash equivalents	\$ 2,603,221	\$ -	\$ 813,553
Investments	<u>4,896,538</u>	<u>5,601,370</u>	<u>-</u>
TOTAL ASSETS	<u><u>7,499,759</u></u>	<u><u>5,601,370</u></u>	<u><u>813,553</u></u>
NET POSITION			
Reserved for plan participants	<u><u>\$ 7,499,759</u></u>	<u><u>\$ 5,601,370</u></u>	<u><u>\$ 813,553</u></u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Post-Retirement Health Benefit Fund</u>
ADDITIONS			
Contributions, employer and Commonwealth	\$ 572,828	\$ 578,071	\$ 243,622
Investment income			
Interest and dividends	362,079	80,613	257
Gain (loss) on sales	(39,228)	231,241	-
Decrease in fair market value of assets	<u>(520,235)</u>	<u>(357,982)</u>	<u>-</u>
TOTAL ADDITIONS	<u>375,444</u>	<u>531,943</u>	<u>243,879</u>
DEDUCTIONS			
Administrative expenses	11,083	39,303	-
Payments to participants	162,349	130,184	5,818
Taxes	<u>24,249</u>	<u>-</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>197,681</u>	<u>169,487</u>	<u>5,818</u>
CHANGE IN NET POSITION	177,763	362,456	238,061
NET POSITION AT BEGINNING OF YEAR	<u>7,321,996</u>	<u>5,238,914</u>	<u>575,492</u>
NET POSITION AT END OF YEAR	<u>\$ 7,499,759</u>	<u>\$ 5,601,370</u>	<u>\$ 813,553</u>

See accompanying notes to the basic financial statements.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The Authority is a "lease-back authority," the purpose of which is to borrow money to finance the construction or acquisition of needed facilities. These facilities are leased back to the Township, which operates them and is responsible for their proper management. As of December 31, 2015, no lease payments were required.

Separately issued financial statements of the Authority are available for public inspection at the Township's office. The Authority's most recently issued financial statements are for the fiscal year ended September 30, 2015.

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, 2015

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

Additionally, the Township reports the following nonmajor Governmental 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, 2015

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. Nonmajor 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, 2015

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer charges. Operating expenses for the Township's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

Cash and Cash Equivalents

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

Investments

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

Capital Assets

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

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Accrued Compensated Absences

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

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

Tax Collection

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

Use of Estimates

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

Fund Balance and GASB Statement No. 54

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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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).

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 changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

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 one item that qualifies 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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - CASH AND INVESTMENTS

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are collateralized under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of depository insurance limits. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2015, the carrying amount of the Township's deposits was \$35,443,327 and the bank balance was \$35,780,565. Of the bank balance, \$750,000 was covered by depository insurance. However, \$3,977,046 of the deposits exceeded the FDIC insurance coverage and was properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. Cash deposits of the Township totaling \$31,053,519 are in the Pennsylvania Local Government Investment Trust (PLGIT) and are uninsured. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and is rated by a nationally recognized statistical rating organization and subject to an independent annual audit.

Investments

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

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

Investment Type	Investment Maturities			Fair Value
	Less Than 1 Year	1 to 5 Years	6 to 10 Years	
INVESTMENTS OF POLICE AND NON-UNIFORMED PENSION FUNDS				
Certificates of deposit Invested in PSAB Municipal Retirement Trust	\$ 210,057	\$ 934,557	\$ 649,913	\$ 1,794,527
Limited partnership interests	5,601,370	-	-	5,601,370
Mutual funds primarily invested in U.S. securities	16,630	-	-	16,630
Mutual funds primarily invested in foreign securities	2,282,537	-	-	2,282,537
	802,844	-	-	802,844
	<u>\$ 8,913,438</u>	<u>\$ 934,557</u>	<u>\$ 649,913</u>	<u>\$ 10,497,908</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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:

American Express Bank (mostly U.S. securities)	5.15%
Capital One Bank (mostly U.S. securities)	5.10%
CIT Bank (mostly U.S. securities)	5.07%
GE Capital (mostly U.S. securities)	5.10%
Goldman Sachs (mostly U.S. securities)	5.19%
Fairholme Mutual Fund (mostly U.S. securities)	7.44%
Longleaf Partners Mutual Fund (mostly U.S. securities)	7.18%
Longleaf Partners Small Cap Mutual Fund (mostly U.S. securities)	10.88%
Oakmark Global Mutual Fund (mostly U.S. securities)	8.47%
Vanguard Primecap Mutual Fund (mostly U.S. securities)	12.65%
Oakmark International Mutual Fund (mostly foreign securities)	7.18%

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

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - RECEIVABLES

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Other receivables	\$ 138,730	\$ -	\$ 138,730
Earned income tax	1,291,149	-	1,291,149
Real estate transfer taxes	66,220	-	66,220
Local services tax	150,881	-	150,881
Sewer rents, assessments and connections receivable	<u>-</u>	<u>235,070</u>	<u>235,070</u>
	<u>\$ 1,646,980</u>	<u>\$ 235,070</u>	<u>\$ 1,882,050</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at December 31, 2014	Additions	Deletions	Balance at December 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 7,575,980	\$ 304,401	\$ -	\$ 7,880,381
Capital assets being depreciated				
Land improvements	3,401,714	4,900	-	3,406,614
Infrastructure	58,492,504	568,562	-	59,061,066
Automobiles	4,613,390	311,107	-	4,924,497
Building and improvements	10,081,103	5,251,818	-	15,332,921
Equipment, furniture and fixtures	3,826,740	418,439	-	4,245,179
Construction in progress	1,753,515	-	(1,753,515)	-
TOTAL CAPITAL ASSETS BEING DEPRECIATED	82,168,966	6,554,826	(1,753,515)	86,970,277
Accumulated depreciation				
Land improvements	(1,576,659)	(171,087)	-	(1,747,746)
Infrastructure	(30,155,003)	(1,755,121)	-	(31,910,124)
Automobiles	(4,327,029)	(366,901)	-	(4,693,930)
Building and improvements	(2,677,967)	(345,498)	-	(3,023,465)
Equipment, furniture and fixtures	(3,435,141)	(312,765)	-	(3,747,906)
TOTAL ACCUMULATED DEPRECIATION	(42,171,799)	(2,951,372)	-	(45,123,171)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	39,997,167	3,603,454	(1,753,515)	41,847,106
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	47,573,147	3,907,855	(1,753,515)	49,727,487
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Sewer system	11,680,340	434,256	-	12,114,596
Accumulated depreciation	(6,439,263)	(284,551)	-	(6,723,814)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	5,241,077	149,705	-	5,390,782
CAPITAL ASSETS, net	\$ 52,814,224	\$ 4,057,560	\$ (1,753,515)	\$ 55,118,269

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - NOTES RECEIVABLE FROM FIRE COMPANIES

Capital Projects Fund

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

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

1999 note receivable from fire company	\$ 186,667
2005 note receivable from fire company	<u>25,047</u>
	<u>\$ 211,714</u>

NOTE F - 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, 2015, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4
Current active members	<u>23</u>
	<u>27</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - 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. 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 2015, the MMO obligation for the plan was \$472,828. Contributions of \$572,828 were made by the Township. There were no contributions from the Commonwealth in 2015.

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, 2015

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

The following was the Board's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
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 certificates of deposit, mutual funds investing in U.S. stocks and mutual funds investing in foreign stocks. These investments are 34%, 45% and 21%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (1.75%). 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, 2015, were as follows:

Total pension liability	\$ 9,732,815
Plan fiduciary net position	<u>(7,499,759)</u>
NET PENSION LIABILITY	<u>\$ 2,233,056</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77.06%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, 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, 2015

NOTE F - 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, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE 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, 2014	\$ 8,407,503	\$ 7,323,063	\$ 1,084,440
Changes for the year			
Service cost	387,825	-	387,825
Interest	652,652	-	652,652
Differences between expected and actual experience	49,856	-	49,856
Changes of assumptions	421,577	-	421,577
Contributions			
Employer	-	572,828	(572,828)
State Aid	-	-	-
Member	-	-	-
Net investment income	-	(197,384)	197,384
Benefit payments	(186,598)	(186,598)	-
Administrative expense	-	(12,150)	12,150
Net changes	<u>1,325,312</u>	<u>176,696</u>	<u>1,148,616</u>
BALANCE AT DECEMBER 31, 2015	<u>\$ 9,732,815</u>	<u>\$ 7,499,759</u>	<u>\$ 2,233,056</u>

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>\$ 3,673,336</u>	<u>\$ 2,233,056</u>	<u>\$ 1,044,128</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Township recognized pension expense of \$678,400. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 49,856	\$ -
Changes in assumptions	421,577	-
Net difference between projected and actual earnings on pension plan investments	<u>760,642</u>	<u>-</u>
	<u>\$ 1,232,075</u>	<u>\$ -</u>

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>	
2016	\$ 189,031
2017	189,031
2018	189,031
2019	189,031
2020	36,903
Thereafter	439,048

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - 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. 2003-36, effective January 1, 2004. 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 the PSABMRT. The plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2013.

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Active employees	34
Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	<u>4</u>
	<u><u>50</u></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

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' 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%. 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. For participants hired prior to January 1, 1999, the minimum benefit is 25% of average monthly compensation.

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

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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.
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

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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 2015, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$478,071 for the year 2015. Contributions of \$578,071 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 is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. It is the policy of the PSABMRT General Balanced Fund to invest approximately 55% of assets in equities, approximately 40% of assets in fixed income investments (with a maximum individual maturity of 40 years) and approximately 5% of assets in alternative investments.

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	55%
Fixed income	40%
Alternative investments	5%
	<u>100%</u>

Concentrations - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2015, 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.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (0.82%). 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, 2015

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

Net Pension Liability of the Township

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

Total pension liability	\$ 7,101,349
Plan fiduciary net position	<u>(5,601,370)</u>
NET PENSION LIABILITY	<u>\$ 1,499,979</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.9%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following 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 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, 2015 (see the plan's investment policy), are summarized in the following table:

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

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2014	\$ 6,614,003	\$ 5,238,914	\$ 1,375,089
Changes for the year			
Service cost	210,528	-	210,528
Interest	484,522	-	484,522
Differences between expected and actual experience	(77,520)	-	(77,520)
Contributions			
Employer	-	578,071	(578,071)
Net investment income	-	(46,128)	46,128
Benefit payments	(130,184)	(130,184)	-
Administrative expense	-	(39,303)	39,303
Net changes	<u>487,346</u>	<u>362,456</u>	<u>124,890</u>
BALANCE AT DECEMBER 31, 2015	<u>\$ 7,101,349</u>	<u>\$ 5,601,370</u>	<u>\$ 1,499,979</u>

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>\$ 2,391,059</u>	<u>\$ 1,499,979</u>	<u>\$ 750,008</u>

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Township recognized pension expense of \$406,439. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 67,184
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>363,706</u>	<u>-</u>
	<u>\$ 363,706</u>	<u>\$ 67,184</u>

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>	
2016	\$ 80,591
2017	80,591
2018	80,591
2019	80,589
2020	(10,336)
Thereafter	(15,504)

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

The Township contributes \$750 per year of service for non-uniform employees and \$910 per year of service for police officers. During 2011, the police other postemployment benefit plan was amended, providing retirees with the option of being maintained on the existing health plan provided to active police officers, which will continue until the retired officer becomes eligible to receive benefits through Medicare. The Township will pay 100% of the premium costs associated with coverage for the retiree only. The costs of administering the plans are paid by the Township. No contributions were made to the plans during 2015.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

Normal cost	\$	48,633
Amortization of unfunded actuarial accrued liability		36,585
Interest		4,261
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>89,479</u>
Interest on net OPEB obligation		17,362
Adjustment to ARC		<u>(22,933)</u>
ANNUAL OPEB EXPENSE		83,908
Net OPEB contributions during the year		<u>-</u>
INCREASE IN NET OPEB OBLIGATION		83,908
Net OPEB obligation at beginning of year		<u>347,231</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u><u>431,139</u></u>

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 93,382	0%	\$ 261,692
2014	85,539	0%	347,231
2015	83,908	0%	431,139

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

Funded Status and Funding Progress

As of January 1, 2014, the actuarial accrued liability for benefits under the Township's police OPEB plan was \$1,174,996 and the actuarial value of assets was \$584,474. The covered payroll (annual payroll of active police employees covered by the plan) was \$2,142,334, and the ratio of the UAAL to the covered payroll was 27.56%.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and 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, 2014 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 2014, decreasing by 1% per year to 5% in 2018. 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, 2015, is 25 years.

NOTE I - 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.

UPPER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - INTERFUND TRANSFERS

Interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sewer Revenue Fund	\$ 157,523
General Fund	Parks and Recreation Fund	739,980
Parks and Recreation Fund	Capital Projects Fund	1,750,000
Capital Projects Fund	General Fund	<u>998,604</u>
		<u>\$ 3,646,107</u>

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

NOTE K – PRIOR PERIOD ADJUSTMENT

The Township implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Township has treated the beginning of year net pension asset of \$2,459,529 as having been recognized in the period incurred. The Township has adjusted beginning net position for the governmental activities from \$60,866,846 to \$58,407,317.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER PROVIDENCE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Per capita				
Current	\$ 51,000	\$ 51,000	\$ 46,249	\$ (4,751)
Delinquent	5,000	5,000	9,164	4,164
Real estate transfer	900,000	900,000	1,092,852	192,852
Earned income	7,700,000	7,700,000	8,303,081	603,081
Local services tax	700,000	700,000	774,907	74,907
Licenses and permits	453,600	453,600	515,284	61,684
Fines and forfeits	108,000	108,000	147,566	39,566
Interest and rents	111,850	111,850	138,770	26,920
Intergovernmental	586,989	586,989	618,629	31,640
Charges for services	722,200	722,200	1,080,791	358,591
Contributions	43,500	43,500	55,215	11,715
Miscellaneous	70,000	70,000	93,033	23,033
TOTAL REVENUES	11,452,139	11,452,139	12,875,541	1,423,402
EXPENDITURES				
General government	2,386,413	2,409,713	2,095,741	313,972
Public safety	7,944,341	7,944,341	7,675,335	269,006
Health and welfare	35,000	35,000	25,000	10,000
Public works				
Sanitation	133,200	133,200	36,475	96,725
Highways and streets	1,999,675	1,999,675	2,145,715	(146,040)
Culture and recreation	829,122	829,122	572,079	257,043
Miscellaneous	39,227	39,227	45,977	(6,750)
TOTAL EXPENDITURES	13,366,978	13,390,278	12,596,322	793,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,914,839)	(1,938,139)	279,219	2,217,358
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	862,622	862,622	897,503	34,881
Interfund transfers out	(743,622)	(743,622)	(998,604)	(254,982)
TOTAL OTHER FINANCING SOURCES (USES)	119,000	119,000	(101,101)	(220,101)
NET CHANGE IN FUND BALANCES	\$ (1,795,839)	\$ (1,819,139)	178,118	\$ 1,997,257
FUND BALANCES AT BEGINNING OF YEAR			8,185,929	
FUND BALANCES AT END OF YEAR			\$ 8,364,047	

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

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 387,825	\$ 284,568
Interest	652,652	615,930
Differences between expected and actual experience	49,856	108,805
Changes of assumptions	421,577	-
Benefit payments	<u>(186,598)</u>	<u>(656,573)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,325,312	352,730
Total pension liability, beginning	<u>8,407,503</u>	<u>8,054,773</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 9,732,815</u></u>	<u><u>\$ 8,407,503</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions, employer	\$ 572,828	\$ 455,099
Net investment income	(197,384)	96,167
Benefit payments, including refunds of member contributions	(186,598)	(656,573)
Administrative expense	(12,150)	(9,425)
Other	<u>-</u>	<u>(20,828)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	176,696	(135,560)
Plan fiduciary net position, beginning	<u>7,323,063</u>	<u>7,458,623</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 7,499,759</u></u>	<u><u>\$ 7,323,063</u></u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u><u>\$ 2,233,056</u></u>	<u><u>\$ 1,084,440</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>77.06%</u>	<u>87.10%</u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 2,632,396</u></u>	<u><u>\$ 2,142,334</u></u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>84.83%</u>	<u>50.62%</u>

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 472,828	\$ 455,099
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>572,828</u>	<u>455,099</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (100,000)</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,632,396</u>	<u>\$ 2,142,334</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>17.96%</u>	<u>21.24%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

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	10 years
Asset valuation method	Market value
Inflation	3%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	RP-2000 Table (Blue Collar) with Scale AA

UPPER PROVIDENCE TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST TWO FISCAL YEARS

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

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

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 210,528	\$ 231,604
Interest	484,522	451,078
Changes of benefit terms	-	-
Differences between expected and actual experience	(77,520)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(130,184)	(115,673)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>487,346</u>	<u>567,009</u>
Total pension liability, beginning	<u>6,614,003</u>	<u>6,046,994</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 7,101,349</u>	<u>\$ 6,614,003</u>
PLAN FIDUCIARY NET POSITION		
Contributions, employer	\$ 578,071	\$ 503,231
Net investment income	(46,128)	283,402
Benefit payments, including refunds of member contributions	(130,184)	(115,673)
Administrative expense	(39,303)	(29,410)
Other	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>362,456</u>	<u>641,550</u>
Plan fiduciary net position, beginning	<u>5,238,914</u>	<u>4,597,364</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 5,601,370</u>	<u>\$ 5,238,914</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 1,499,979</u>	<u>\$ 1,375,089</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>78.9%</u>	<u>79.2%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,305,168</u>	<u>\$ 1,968,721</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>65.1%</u>	<u>69.8%</u>

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

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 478,071	\$ 503,231
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>578,071</u>	<u>503,231</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (100,000)</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,305,168</u>	<u>\$ 1,968,721</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>25.08%</u>	<u>25.56%</u>

NOTES TO SCHEDULE

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

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

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

UPPER PROVIDENCE TOWNSHIP
PENSION PLAN FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

ANALYSIS OF EMPLOYER CONTRIBUTIONS

Police Pension Plan

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 98,759	100%
2008	93,563	100%
2009	86,914	100%
2010	219,542	100%
2011	182,790	100%
2012	211,822	100%
2013	176,711	100%
2014	455,099	100%
2015	472,828	121%

Non-Uniformed Pension Plan

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 258,733	100%
2008	337,143	100%
2009	377,651	100%
2010	445,637	100%
2011	475,974	100%
2012	406,898	100%
2013	415,877	100%
2014	503,231	100%
2015	478,071	121%

UPPER PROVIDENCE TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER
THAN PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

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%

SUPPLEMENTARY INFORMATION SECTION

UPPER PROVIDENCE TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>Special Revenue Fund</u> State Liquid Fuels Highway Aid Fund
ASSETS	
Cash and cash equivalents	\$ <u>996,984</u>
FUND BALANCES	
Restricted, highway improvements	\$ <u>996,984</u>

UPPER PROVIDENCE TOWNSHIP

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	Special Revenue Fund <u>State Liquid Fuels Highway Aid Fund</u>
REVENUES	
Interest and rents	\$ 1,451
Intergovernmental	<u>526,691</u>
TOTAL REVENUES	<u>528,142</u>
EXPENDITURES	
Public works, highways and streets	<u>126,541</u>
EXCESS OF REVENUES OVER EXPENDITURES	401,601
FUND BALANCES AT BEGINNING OF YEAR	<u>595,383</u>
FUND BALANCES AT END OF YEAR	\$ <u><u>996,984</u></u>