

UPPER DUBLIN TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

UPPER DUBLIN TOWNSHIP
FINANCIAL STATEMENTS
December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Upper Dublin Township
Fort Washington, Pennsylvania

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Dublin Township, Montgomery County, Pennsylvania as of and for the year ended December 31, 2017, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of 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 addition, in our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, and each major fund of Upper Dublin Township, Montgomery County, Pennsylvania, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general, park and recreation, and economic development funds, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the budgetary comparison information on pages 20 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Dublin Township, Montgomery County, Pennsylvania's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
May 3, 2018

TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

The following discussion and analysis of the Township of Upper Dublin's financial performance provides an overview of the Township's financial condition and activities for the fiscal year ended December 31, 2017. Please read the analysis in conjunction with the Township's financial statements which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

Government-Wide Financial Statements (Full Accrual)

- Net position (assets less liabilities) of the Township totaled \$100.858 million at the end of 2017, an increase of \$4.954 million above the net position at the end of 2016.
- General taxes and program revenues for the Township amounted to \$32.975 million in 2017 while expenses equaled \$28.021 million.

Fund Financial Statements (Modified Accrual)

- At year-end, the Township's total governmental funds reported a fund balance of \$23,141,677, an increase of \$3,050,344 above the prior year. The rise in the year end fund balance was primarily due to the receipt of a loan totaling \$9 million of which a balance of \$3.7 million was being held at the end of 2017 to fund future improvements to 520 Virginia Drive.
- The Township's General Fund reported revenues and other financial sources totaled \$20,344,362 while expenditures and other financial uses totaled \$19,765,704 resulting in an increase in year ending fund balance by \$578,658 from \$2,586,186 in 2016 to \$3,164,844 in 2017.
- In 2017, the Township purchased a 56,000 square foot building with 7.1 acres at 520 Virginia Drive, Fort Washington, PA at a cost of \$5.1 million. The purchase was funded by a \$9 million loan from the Delaware Valley Regional Finance Authority. The balance of the loan will fund future improvements to the newly purchased building.
- In 2017, the Township continued to engineer, plan and design multiple infrastructure projects in the Fort Washington Office Park. The first bridge replacement projects in this multi-year capital improvement plan were completed in 2017. The Virginia Drive Road Diet and Cross-County Trail project began in 2017 with the first phase of this project scheduled for completion in the first half of 2018.

OVERVIEW OF THIS ANNUAL REPORT

Prior to 2003, the primary focus of local government financial statements had been to provide fund type information on a current financial resource basis. This approach was modified in 2003 by the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (GASB 34) which established new requirements and a new reporting model for the annual financial reports of state and local governments.

Since 2003, Upper Dublin Township's annual financial report consists of two kinds of financial statements each of which presents a different view of the Township's finances. The first set of financial statements provides both long-term and short-term information of the Township's overall financial status. The second set of financial statements, which are similar to what has been provided in the past, focus on the individual Township funds and report on the Township's operations in more detail than the government wide statements. The Township's financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains data pertaining to the Township's pension plans. In addition to the required elements, the annual report includes other supplementary information to provide details about the Township's various funds.

TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Government Wide Statements

The government wide statements report on the Township as a whole using accounting methods similar to those used by private sector companies. This analysis begins on page 13. 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 Upper Dublin Township as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

These two statements report on the Township's net position and on changes in net position. The Township's net position is the difference between its assets and liabilities and one can use net position as one way to measure the Township's financial health or financial condition. Over time, increases or decreases in the Township's net position are one indicator of whether its financial condition is improving or deteriorating. Other non-financial factors will need to be considered, however, such as changes in the Township's property tax base and the condition of the Township's roads, to assess the overall health of the Township.

In the government-wide financial statements, the Township's activities are divided into two categories:

- Government Activities - Most of the Township's basic services are reported here including police and emergency services, public works, sanitation, code enforcement, parks and recreation, library and general administration. Property taxes, earned income taxes, user fees and state and local grants finance most of these activities.
- Business Type Activities - Since the Township sold its sanitary sewer treatment system in 2002, it no longer reports any business type activities. The recording of the collection of balances due from the activities of the defunct sanitary sewer system is reported as receivables in the Township's General Fund.

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. Others are established to help control and manage money for particular purposes or to show that the Township is meeting legal responsibilities for using certain taxes, grants or other funds.

Upper Dublin Township has three kinds of funds:

- Governmental Funds - Most of the Township's basic services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Township uses an internal service fund to account for the financing of goods and services provided by the Fleet and Facilities department to other departments of the Township.

TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

- Fiduciary Funds - The Township is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in the fiduciary net position. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations. The Township's private purpose trust funds - Cheston Trust, Dannenberg Trust, Bauman Trust, Kayser Memorial Scholarship, North Hills Scholarship, Police Life Insurance Fund and DARE Fund are reported in this manner.

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

Table 1
Statement of Net Position – December 31, 2017
(in thousands)

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 28,057	\$ 22,025
Capital assets	<u>128,911</u>	<u>119,448</u>
Total Assets	<u>156,968</u>	<u>141,473</u>
Total deferred outflows of resources	<u>1,827</u>	<u>1,949</u>
Long term liabilities	48,152	43,688
Other liabilities	<u>8,098</u>	<u>3,496</u>
Total Liabilities	<u>56,250</u>	<u>47,184</u>
Deferred inflows of resources	<u>1,688</u>	<u>335</u>
Net Position		
Invested in capital assets, net of debt	88,341	86,120
Restricted	3,597	1,809
Unrestricted	<u>8,920</u>	<u>7,974</u>
Total Net Position	<u>\$ 100,858</u>	<u>\$ 95,903</u>

For more detailed information see the Statement of Net Position on page 13.

Net position may serve over time as a useful indicator of a government's financial position. For 2017, Upper Dublin Township's assets exceeded liabilities by \$96,383 million. The largest portion of the Township's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure and equipment), less the outstanding debt to acquire these assets. The restricted net position portion represents resources that are subject to external restrictions on how they may be used; restricted net position is also reported net of the related outstanding debt. The unrestricted net position for governmental activities is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Operations compared to the prior year are detailed below. 2017 revenues exceeded 2016 revenues by \$4.12 million. The increase was primarily due to the receipt of \$3.78 million in Fort Washington Office Park project grant funding. Total expenses in 2017 were \$156,000 more than in 2016.

Operations compared to budget are noted in detail on page 20. For the General Fund, actual expenditures were lower than budgeted by \$505,421. Revenues exceeded budget by 8% or \$1,504,614 primarily due to better than expected real estate transfer taxes and building permit revenues.

The following table shows the revenue and expenses of the governmental activities:

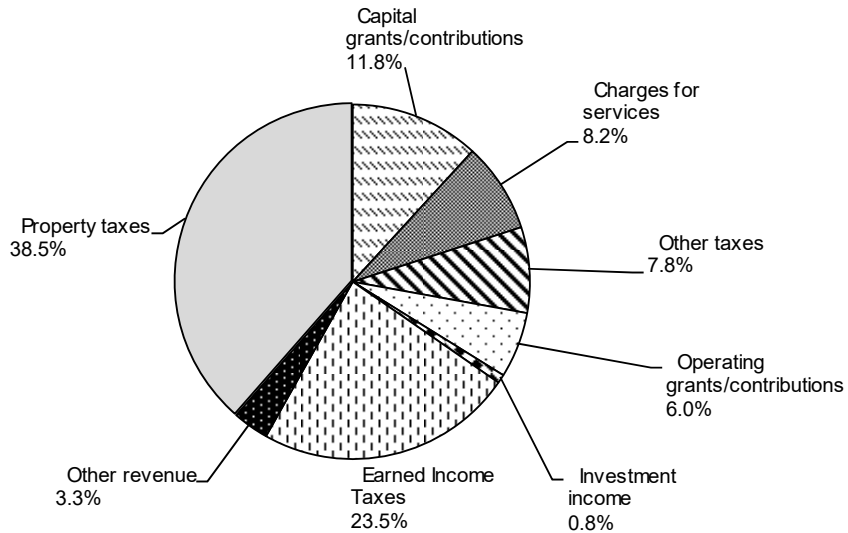
Table 2
Changes in Net Position – 2017
(in thousands)

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
REVENUES		
Program revenues:		
Charges for services	\$ 2,708	\$ 3,285
Operating grants and contributions	1,984	2,066
Capital grants and contributions	3,877	101
General revenues:		
Property taxes	12,705	12,297
Other taxes	10,328	9,689
Grants and contributions not restricted to specific programs	266	102
Investment income	278	154
Miscellaneous	829	1,159
Total Revenues	32,975	28,853
EXPENSES		
Administration	4,421	4,344
Licenses and permits	889	866
Police and emergency service	8,789	9,124
Sanitation and recycling	2,325	2,296
Public works	6,795	6,286
Library	1,400	1,009
Parks and recreation	2,428	2,395
Open space	86	120
Debt service	887	1,424
Total Expenses	28,020	27,864
Change in Net Assets	4,955	989
Net Position - Beginning	95,903	94,914
Net Position - Ending	\$ 100,858	\$ 95,903

**TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

For the fiscal year ended December 31, 2017, revenues for governmental activities totaled \$33 million. Sources of revenue for the fiscal year 2017 are comprised of the following items:

**Governmental Activities - Revenues by Source
for the Year Ended December 31, 2017**

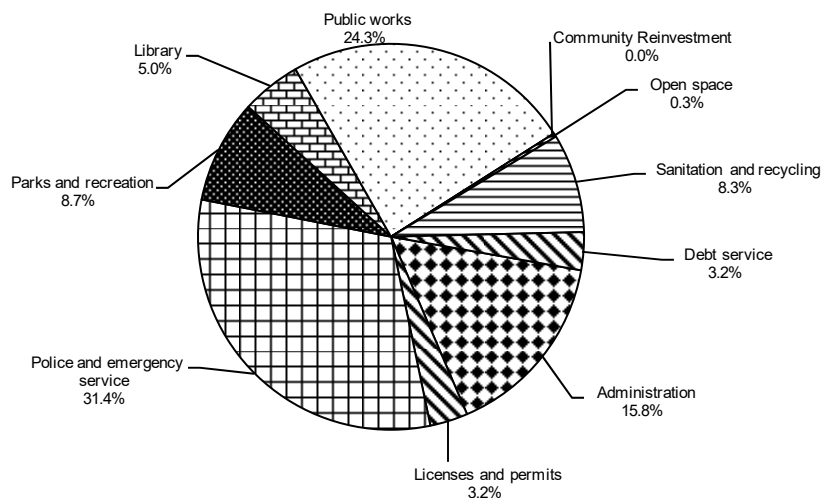


Property taxes remain the Township's largest revenue source at \$12.7 million (38.5% of total revenues). The Township's second largest revenue source in 2017 was earned income taxes at \$7.7 million (23.5%). The property transfer tax generated \$1.66 million (5.0%) and the local services tax generated \$0.91 million (2.7%). Other sources of general revenues include investment income (\$0.3 million), non-specific grants and contributions (\$0.3 million) and other income (\$.8 million).

Revenues received in fiscal 2017 to fund specific Township programs totaled \$8.6 million. This included \$2.7 million (8.1% of total revenues) for direct charges for Township services, \$2.0 million (6.0%) from operating grants and contributions and \$3.9 million (11.7%) from capital grants and contributions.

For the 2017, expenses for government activities totaled \$28.0 million, an increase of \$156,000 above 2016.

**Governmental Activities - Expenses by Function
for the Year Ended December 31, 2017**



TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

As the chart above indicates, the largest program expense is for police and emergency services activities at \$8.8 million (31.4% of total expenses). Public Works expenses are the Township's second largest program with expenses of \$6.8 million (24.3%). General Administration is the third largest program expense at \$4.4 million (15.8%).

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2017, revenues (\$32.9 million) exceeded expenditures (\$28.0 million) by \$4.9 million resulting in an increase in net position by that amount. The year ended with net position for governmental activities totaling \$100,858,000.

THE TOWNSHIP'S FUNDS

At the end of fiscal 2017, the Township's governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$23.1 million, an increase of \$3,050,344 above 2016.

The Township's Community Reinvestment Fund holds a majority (\$13.1 million) of the total fund balance. These funds represent the balance of \$15 million in net proceeds generated from the Township's sale of its sanitary sewer system in 2002. The fund balance has been periodically drawn down to finance a series of land purchases. Interest earnings generated through the investment of the net proceeds are used to fund current and future infrastructure projects and capital equipment purchases.

The Township's 2017 General Fund unassigned fund balance increased from a 2016 balance of \$2.59 million to a 2017 year end level of \$3.16 million. Storm water management reserves (\$.2 million), fire capital reserves (\$1.0 million), reserves for other capital projects (\$4.5 million), reserves for future debt service payments (\$1.2 million) and special revenue fund balances (\$.1 million) make up the remainder of the Township's governmental fund balances.

Capital Assets

At the end of 2017, the Township had \$128.9 million invested in a broad range of capital assets, including roads, bridges, storm sewers, street lights, land, rolling stock, buildings and equipment. This amount represents an increase over last year after recording additions, deductions and accumulated depreciation for the year.

The following table summarizes the change in Capital Assets. More detail is provided on pages 43-44 of the Notes.

Table 3
Changes in Capital Assets – Governmental Funds
(in thousands)

	Beginning Balance <u>1/1/17</u>	Net Additions/ Deletions	Ending Balance <u>12/31/17</u>
Non-Depreciable Assets			
Land	\$ 17,927	\$ 3	\$ 17,930
Construction in progress	2,818	4,059	6,877
Other Capital Assets			
Buildings and improvements	29,083	382	29,465
Machinery, vehicles and equipment	10,956	27	10,983
Library materials	1,443	(9)	1,434
Infrastructure	107,478	7,664	115,142
Accumulated depreciation on capital assets	<u>(50,257)</u>	<u>(2,663)</u>	<u>(52,920)</u>
Totals	<u>\$ 119,448</u>	<u>\$ 9,463</u>	<u>\$ 128,911</u>

TOWNSHIP OF UPPER DUBLIN
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

The Upper Dublin Township Board of Commissioners continues to place significant resources to the area of capital improvements. 2017 saw the completion three bridge/culvert replacement projects over the Pine Run and Rapp Run in the Fort Washington Office Park, the purchase of 520 Virginia Drive, the replacement of all street lights in the Township with LED lighting, as well as the continuation of design work for additional large capital improvements in the Fort Washington Office Park.

This year’s major capital improvements/additions include:

Buildings, equipment and technology	\$ 5,728,000
Roads, curbing and infrastructure	2,122,000
Storm water management projects	155,000
Rolling stock	718,000
Park equipment and park improvements	5,339,000
Improvements to the Fort Washington Office Park	2,655,000

Debt

The Commonwealth of Pennsylvania sets the borrowing limit, called the “Borrowing Base”, of the Township through the State Local Government Unit Debt Act. The Township’s “Borrowing Base”, as calculated using the annual arithmetic average of total revenue (as defined in the Debt Act) for the three most recent full fiscal years, is in excess of \$64 million. At the end of 2017, the Township’s level of non-electoral outstanding debt, \$37,820,000, was well below its “Borrowing Base” capacity.

In 2010, Moody’s Investor Services credit rating agency upgraded Upper Dublin Township’s bond credit rating from Aa3 to Aa2. The rating agency cited the Township’s growing tax base, adequate reserve levels and a below average direct debt burden as reasons for the credit rating upgrade. The Township was reassigned an Aa2 rating in 2017.

In 2008, the residents of Upper Dublin Township approved a referendum authorizing the Township to issue up to \$30 million in electoral debt for the purpose of financing the acquisition of land within the Township for the preservation and conservation of undeveloped open space. As of December 31, 2017, \$2,940,000 of electoral debt has been issued with \$2,475,000 outstanding. Electoral debt is not subject to the debt limits established by the Township’s “borrowing base”.

The following is a summary of the Township’s outstanding long-term debt as of December 31, 2017:

**Table 4
Outstanding Debt at December 31, 2017**

<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Average Interest Rate</u>	<u>Final Maturity</u>	<u>Balance 1/1/2017</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Balance 12/31/2017</u>
1998	\$ 5,500,000	4.596%	2018	\$ 803,000	\$ 392,000	\$ 31,958	\$ 411,000
2008	8,676,000	4.088%	2028	6,439,000	427,000	254,495	6,012,000
2013	6,620,000	2.410%	2033	1,245,000	295,000	19,675	950,000
2014	8,535,000	3.730%	2035	8,265,000	340,000	240,935	7,925,000
2015	2,535,000	3.730%	2035	2,470,000	110,000	64,478	2,360,000
2016	4,000,000	2.150%	2036	4,000,000	163,000	83,664	3,837,000
2016	9,850,000	1.993%	2036	9,850,000	50,000	164,354	9,800,000
2017	9,000,000	2.579%	2037	-	-	6,448	9,000,000
				<u>\$ 33,072,000</u>	<u>\$ 1,777,000</u>	<u>\$ 866,007</u>	<u>\$ 40,295,000</u>

TOWNSHIP OF UPPER DUBLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The elected officials of Upper Dublin Township consider many factors when establishing budget appropriations, tax rates and fee schedules. One of the most important factors currently facing the Board of Commissioners is the reduction in earned income tax revenues flowing into the Township.

In 2001, the Township began facing a situation of significantly reduced revenues from the earned income tax as more municipalities in the area adopted their own earned income tax ordinance. This reduces tax revenues to Upper Dublin Township because earned income taxes received from non-residents employed in the Township must be turned over to the non-residents' home municipality. Earned income tax revenue derived from non-residents peaked at \$2.8 million in 2000. As other municipalities have passed their own earned income tax, the non-resident tax revenue is estimated to reduce to \$1.5 million in 2018. Recognizing that the level of earned income tax revenue would be decreasing in future years, the Board of Commissioners and Township staff began developing a Solid Waste Automation Plan as one method to reduce expenses. The transition to fully automated trash collection began in 2002. Through a reduction in staffing levels, the need for fewer trash trucks, a reduction in injuries to Township employees and a reduction in the volume of solid waste, the annual savings generated by the automated solid waste program is approximately \$400,000. The Plan was amended in 2011 by adding the provision that all townhome developments comply with the automated waste collection requirements generating a projected additional annual cost savings of approximately \$150,000.

To further offset the loss of earned income tax revenues, the Board of Commissioners enacted an Emergency and Municipal Services Tax (EMST) in 2006. The tax, renamed the Local Services Tax in 2008, is a \$52 tax imposed on all persons employed in Upper Dublin Township whether they are a resident or non-resident and is estimated to generate \$930,000 in 2018.

In 2014, the Township initiated a multi-year capital improvement program to revitalize the Fort Washington Office Park. To date, the Township has secured \$12.9 million in grant funding from thirteen separate sources to finance the multi-year projects which include bridge replacements, trails and road improvements. Construction projects began in 2017 with engineering and design work continuing. Additional grant funding is also currently being sought.

In January 2017, the Upper Dublin Township Municipal Authority was created for the purpose of obtaining and financing capital for the construction, improvement and maintenance of projects within the service area of the Authority, which is generally defined as the Fort Washington Office Park. A special assessment will be levied against all property owners within the service area in 2018 as an additional source of capital to fund the improvement projects.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide Upper Dublin Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions concerning this report or requests for additional financial information can be directed to the Finance Department of Upper Dublin Township, 801 Loch Alsh Avenue, Fort Washington, PA 19034 or visit our website at www.upperdublin.net.

UPPER DUBLIN TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2017

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Municipal</u>	<u>Fire</u>
	<u>Activities</u>	<u>Authority</u>	<u>Company</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,465,661	\$ 9,472	\$ 179,716
Investments	19,521,289	-	41,221
Receivables	4,070,322	-	-
Land	17,930,235	-	-
Construction in progress	6,876,549	76,577	-
Other capital assets (net of accumulated depreciation)	104,104,372	-	-
Total Assets	<u>156,968,428</u>	<u>86,049</u>	<u>220,937</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Differences between expected and actual experience on pension plan liability	747,916	-	-
Differences between expected and actual assumptions on pension plan liability	1,078,758	-	-
Total deferred outflows of resources	<u>1,826,674</u>	<u>-</u>	<u>-</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	4,552,773	46,375	-
Internal balances	-	-	-
Accrued interest payable	223,087	-	-
Unearned revenue	7,206	-	-
Taxes held in escrow	48,994	-	-
Net OPEB obligation	550,684	-	-
Non-current liabilities:			
Due within one year	2,715,000	-	-
Due after one year	48,151,740	-	-
Total Liabilities	<u>56,249,484</u>	<u>46,375</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Net difference between projected and actual earnings on pension plan investments	726,982	-	-
Differences between expected and actual experience on pension plan liability	960,592	-	-
Total deferred inflows of resources	<u>1,687,574</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Net investment in capital assets	88,341,211	30,202	-
Restricted for:			
Public Safety	953,161	-	-
Public Works	1,371,784	9,472	-
Park and recreation	118,026	-	-
Debt service	1,153,689	-	-
Unrestricted	8,920,173	-	220,937
Total Net Position	<u>\$ 100,858,044</u>	<u>\$ 39,674</u>	<u>\$ 220,937</u>

The notes to the financial statements are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
Administrative	\$ 4,420,793	\$ 2,490	\$ 650,593	\$ -
Licenses and Permits	888,722	1,535,839	-	-
Police and Emergency Services	8,790,390	295,178	232,294	-
Sanitation and Recycling	2,324,870	51,731	119,599	-
Public Works	6,794,672	252,893	864,970	-
Library	1,400,275	36,112	86,450	-
Park and Recreation	2,428,327	534,232	29,612	-
Community Reinvestment	-	-	-	3,780,750
Open Space	86,035	-	-	96,129
Debt Service	886,517	-	-	-
Total Governmental Activities	<u>28,020,601</u>	<u>2,708,475</u>	<u>1,983,518</u>	<u>3,876,879</u>
Component Unit:				
Fire Company	<u>\$ 406,856</u>	<u>\$ 16,022</u>	<u>\$ 65,450</u>	<u>\$ -</u>
General Revenues				
Taxes:				
Real Estate				
Transfer				
Earned Income				
Local Services				
Grants and Contributions not				
Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

Net (Expense) Revenue and Changes in Net Position			
<u>Primary Government</u>		<u>Component Unit</u>	<u>Component Unit</u>
<u>Governmental</u>		<u>Municipal</u>	<u>Fire</u>
<u>Activities</u>	<u>Total</u>	<u>Authority</u>	<u>Company</u>
\$ (3,767,710)	\$ (3,767,710)	\$ -	\$ -
647,117	647,117	-	-
(8,262,918)	(8,262,918)	-	-
(2,153,540)	(2,153,540)	-	-
(5,676,809)	(5,676,809)	(17,072)	-
(1,277,713)	(1,277,713)	-	-
(1,864,483)	(1,864,483)	-	-
3,780,750	3,780,750	-	-
10,094	10,094	-	-
(886,517)	(886,517)	-	-
<u>(19,451,729)</u>	<u>(19,451,729)</u>	<u>(17,072)</u>	<u>-</u>
-	-	-	(643,019)
12,705,227	12,705,227	-	277,000
1,664,200	1,664,200	-	-
7,755,833	7,755,833	-	-
907,839	907,839	-	-
265,752	265,752	56,500	362,403
278,279	278,279	246	7,286
829,346	829,346	-	2,544
<u>24,406,476</u>	<u>24,406,476</u>	<u>56,746</u>	<u>649,233</u>
4,954,747	4,954,747	39,674	6,214
<u>95,903,297</u>	<u>95,903,297</u>	<u>-</u>	<u>214,723</u>
<u>\$ 100,858,044</u>	<u>\$ 100,858,044</u>	<u>\$ 39,674</u>	<u>\$ 220,937</u>

The notes to the financial statements are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>	<u>Community Reinvestment</u>	<u>Park & Recreation</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 683,073	\$ 173,906	\$ 123,592	\$ -	\$ 694,578	\$ 2,523,495	\$ 4,198,644
Investments	2,900,267	12,830,693	-	-	3,790,329	-	19,521,289
Receivables	422,470	48,218	29,233	3,213,076	235,439	23,732	3,972,168
TOTAL ASSETS	<u>\$4,005,810</u>	<u>\$ 13,052,817</u>	<u>\$ 152,825</u>	<u>\$ 3,213,076</u>	<u>\$ 4,720,346</u>	<u>\$ 2,547,227</u>	<u>\$ 27,692,101</u>
<u>LIABILITIES</u>							
Liabilities							
Accounts payable and accrued wages	\$ 791,972	\$ -	\$ 134,436	\$ 3,381,766	\$ 122,186	\$ 63,864	\$ 4,494,224
Unearned revenue	-	-	7,206	-	-	-	7,206
Total Liabilities	<u>791,972</u>	<u>-</u>	<u>141,642</u>	<u>3,381,766</u>	<u>122,186</u>	<u>63,864</u>	<u>4,501,430</u>
Restricted Liabilities							
Taxes held in escrow	48,994	-	-	-	-	-	48,994
Total Liabilities	<u>840,966</u>	<u>-</u>	<u>141,642</u>	<u>3,381,766</u>	<u>122,186</u>	<u>63,864</u>	<u>4,550,424</u>
<u>FUND BALANCES</u>							
Restricted for							
Public safety	-	-	-	-	-	953,161	953,161
Public works	-	-	-	-	1,371,784	-	1,371,784
Culture and recreation	-	-	11,183	-	-	106,843	118,026
Debt service	-	-	-	-	-	1,153,689	1,153,689
Assigned for							
Public Works	-	13,052,817	-	-	3,226,376	199,387	16,478,580
Culture and recreation	-	-	-	-	-	70,283	70,283
Unassigned	3,164,844	-	-	(168,690)	-	-	2,996,154
Total Fund Balances	<u>3,164,844</u>	<u>13,052,817</u>	<u>11,183</u>	<u>(168,690)</u>	<u>4,598,160</u>	<u>2,483,363</u>	<u>23,141,677</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$4,005,810</u>	<u>\$ 13,052,817</u>	<u>\$ 152,825</u>	<u>\$ 3,213,076</u>	<u>\$ 4,720,346</u>	<u>\$ 2,547,227</u>	<u>\$ 27,692,101</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 13)
are different because:

Total fund balances-total governmental funds (page 16). \$ 23,141,677

Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	\$ 182,222,980	
Accumulated depreciation	<u>(53,311,824)</u>	128,911,156

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (for example, receivables) are offset by deferred revenues
in the governmental funds and thus are not included in fund balance.

98,154

Internal service funds.

208,469

Deferred inflows and outflows or resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Net difference between projected and actual earnings on pension plan investments	(726,982)	
Differences between expected and actual assumptions on pension plan liability	1,078,758	
Differences between expected and actual experience on pension plan liability	<u>(212,676)</u>	139,100

Long term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Notes payable	(40,295,000)	
Unamortized issuance discounts	77,188	
Unamortized issuance premiums	(193,780)	
Interest payable	(223,087)	
Net pension Liability	(10,273,686)	
Net OPEB obligation	(550,684)	
Compensated absences	<u>(181,463)</u>	<u>(51,640,512)</u>

Net position of governmental activities (page 13).

\$ 100,858,044

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

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

For the Year Ended December 31, 2017

	General	Community Reinvestment	Park & Recreation	Economic Development	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes:							
Property	\$ 6,130,557	\$ -	\$ 1,636,633	\$ 214,214	\$ -	\$ 4,733,788	\$ 12,715,192
Transfer	1,664,200	-	-	-	-	-	1,664,200
Earned income tax	7,755,833	-	-	-	-	-	7,755,833
Local services tax	907,839	-	-	-	-	-	907,839
Fees, licenses and permits	1,891,058	-	-	-	-	-	1,891,058
Investment income and rent	192,940	197,133	2,710	-	10,493	25,537	428,813
Grants	975,359	-	64,234	3,780,750	52,399	882,118	5,754,860
Fines and forfeitures	61,902	-	-	-	-	-	61,902
Program revenues	653,834	-	534,232	-	153,440	50,312	1,391,818
Other	110,840	-	29,612	41,546	169,455	99,718	451,171
Total Revenues	20,344,362	197,133	2,267,421	4,036,510	385,787	5,791,473	33,022,686
Expenditures							
Current:							
General government	2,437,516	-	-	-	-	-	2,437,516
Public safety	8,712,054	-	-	-	-	494,362	9,206,416
Sanitation and recycling	2,291,157	-	-	-	-	-	2,291,157
Highways and roads	3,824,355	-	-	56,500	-	-	3,880,855
Culture and recreation	-	-	2,359,481	-	-	1,169,951	3,529,432
Miscellaneous	1,526,614	-	-	-	-	2,580	1,529,194
Debt service:							
Principal	-	-	-	-	-	1,777,000	1,777,000
Interest	-	-	-	-	-	866,008	866,008
Capital projects	-	-	-	5,282,103	7,850,070	322,591	13,454,764
Total Expenditures	18,791,696	-	2,359,481	5,338,603	7,850,070	4,632,492	38,972,342
Excess (Deficiency) of Revenues Over Expenditures	1,552,666	197,133	(92,060)	(1,302,093)	(7,464,283)	1,158,981	(5,949,656)
Other Financing Sources (Uses)							
Debt proceeds	-	-	-	-	9,000,000	-	9,000,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Unamortized premium	-	-	-	-	-	-	-
Transfers in	-	250,000	-	1,324,008	1,584,082	901,000	4,059,090
Transfers out	(974,008)	(350,000)	-	-	-	(2,735,082)	(4,059,090)
Total Other Financing Sources (Uses)	(974,008)	(100,000)	-	1,324,008	10,584,082	(1,834,082)	9,000,000
Net Change In Fund Balances	578,658	97,133	(92,060)	21,915	3,119,799	(675,101)	3,050,344
Fund Balance - Beginning	2,586,186	12,955,684	103,243	(190,605)	1,478,361	3,158,464	20,091,333
Fund Balance - Ending	\$ 3,164,844	\$ 13,052,817	\$ 11,183	\$ (168,690)	\$ 4,598,160	\$ 2,483,363	\$ 23,141,677

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

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

For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities (page 14-15)
are different because:

Net change in fund balances-total governmental funds (page 18).		\$ 3,050,344
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	12,989,836	
Depreciation expense	<u>(3,287,652)</u>	9,702,184
The effect of sales of capital assets is to decrease net assets.		(239,620)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(9,965)
Bond issuance cost is recorded as an expenditure in the fund statements but recorded as an asset and amortized over the life of the bond in the statement of net position. This is the amount by which the bond issuance costs exceed amortization for the period.		7,874
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New bond issue	(9,000,000)	
Repayment of debt	1,777,000	
Debt premiums and discounts	-	
Interest expense	<u>(17,930)</u>	(7,240,930)
Some expenses 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.		
Net pension liability and deferred items	(286,977)	
Net postemployment benefits obligation	<u>101,653</u>	(185,324)
The internal service fund is used to charge the cost of self insurance for workers compensation to individual funds.		
The net expense of certain activities of the internal service fund is reported with governmental activities.		<u>(129,816)</u>
Change in net position of governmental activities (page 14-15).		<u>\$ 4,954,747</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

For the Year Ended December 31, 2017

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes	\$ 15,366,044	\$ 15,366,044	\$ 16,458,429	\$ 1,092,385
Licenses and permits	1,635,500	1,635,500	1,891,058	255,558
Interest and rent	206,820	206,820	192,940	(13,880)
Intergovernmental revenues	946,884	946,884	975,359	28,475
Fines and forfeits	71,500	71,500	61,902	(9,598)
Program revenues	540,500	540,500	653,834	113,334
Miscellaneous revenues	72,500	72,500	110,840	38,340
Total Revenues	<u>18,839,748</u>	<u>18,839,748</u>	<u>20,344,362</u>	<u>1,504,614</u>
Expenditures				
Current:				
General government	2,653,522	2,653,522	2,437,516	(216,006)
Public safety	8,688,829	8,688,829	8,712,054	23,225
Sanitation and recycling	2,393,091	2,393,091	2,291,157	(101,934)
Highways and roads	4,002,545	4,002,545	3,824,355	(178,190)
Miscellaneous	1,559,130	1,559,130	1,526,614	(32,516)
Total Expenditures	<u>19,297,117</u>	<u>19,297,117</u>	<u>18,791,696</u>	<u>(505,421)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(457,369)</u>	<u>(457,369)</u>	<u>1,552,666</u>	<u>2,010,035</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(974,008)	(974,008)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(974,008)</u>	<u>(974,008)</u>
Net Change In Fund Balance	(457,369)	(457,369)	578,658	1,036,027
Fund Balance, Beginning	<u>457,369</u>	<u>457,369</u>	<u>2,586,186</u>	
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,164,844</u>	

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

PARK & RECREATION FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

For the Year Ended December 31, 2017

	<u>PARK & RECREATION FUND</u>			Variance with Final Budget - Over (Under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,632,389	\$ 1,632,389	\$ 1,636,633	\$ 4,244
Interest	1,500	1,500	2,710	1,210
Grants	62,776	62,776	64,234	1,458
Program revenues	473,477	473,477	534,232	60,755
Other	38,121	38,121	29,612	(8,509)
Total Revenues	<u>2,208,263</u>	<u>2,208,263</u>	<u>2,267,421</u>	<u>59,158</u>
Expenditures				
Culture and recreation	<u>2,300,536</u>	<u>2,300,536</u>	<u>2,359,481</u>	<u>58,945</u>
Net Change in Fund Balance	(92,273)	(92,273)	(92,060)	213
Fund Balance - Beginning	<u>92,273</u>	<u>92,273</u>	<u>103,243</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,183</u>	

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

ECONOMIC DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

For the Year Ended December 31, 2017

	<u>ECONOMIC DEVELOPMENT FUND</u>			Variance with Final Budget - Over (Under)
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 214,084	\$ 214,084	\$ 214,214	\$ 130
Interest	10,000	10,000	-	(10,000)
Grants	4,112,000	4,112,000	3,780,750	(331,250)
Other	-	-	41,546	41,546
Total Revenues	<u>4,336,084</u>	<u>4,336,084</u>	<u>4,036,510</u>	<u>(299,574)</u>
Expenditures				
Economic development	<u>5,686,355</u>	<u>5,686,355</u>	<u>5,338,603</u>	<u>(347,752)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,350,271)</u>	<u>(1,350,271)</u>	<u>(1,302,093)</u>	<u>48,178</u>
Other Financing Sources (Uses)				
Transfers in	<u>680,816</u>	<u>680,816</u>	<u>1,324,008</u>	<u>643,192</u>
Total Other Financing Sources (Uses)	<u>680,816</u>	<u>680,816</u>	<u>1,324,008</u>	<u>643,192</u>
Net Change in Fund Balance	(669,455)	(669,455)	21,915	691,370
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>(190,605)</u>	
Fund Balance - Ending	<u>\$ (669,455)</u>	<u>\$ (669,455)</u>	<u>\$ (168,690)</u>	

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2017

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 267,016
Total Current Assets	<u>267,016</u>
Noncurrent Assets	
Capital Assets:	
Equipment/vehicles	10,888,118
Less accumulated depreciation	<u>(6,193,187)</u>
Total Capital Assets (net of accumulated depreciation)	<u>4,694,931</u>
Total Noncurrent Assets	<u>4,694,931</u>
 Total Assets	 <u>\$ 4,961,947</u>
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts payable and accrued wages	\$ 81,658
Total Current Liabilities	<u>81,658</u>
 <u>NET POSITION</u>	
Unrestricted	<u>4,880,289</u>
Total Net Position	<u>\$ 4,880,289</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	<u>Internal Service</u>
Operating Revenues	
Charges for services	\$ 1,808,957
Intergovernmental revenues	27,530
Other revenues	<u>4,580</u>
Total Operating Revenues	<u>1,841,067</u>
Operating Expenses	
Motor pool	1,331,147
Depreciation	<u>695,811</u>
Total Operating Expenses	<u>2,026,958</u>
Operating Income (Loss)	<u>(185,891)</u>
Nonoperating Revenues (Expense)	
Proceeds from the sale of assets	147,745
Insurance claim settlements	<u>22,393</u>
Total Nonoperating Revenues (Expense)	<u>170,138</u>
Net Income Before Other Financing Sources (Uses)	<u>(15,753)</u>
Change in Net Position	(15,753)
Net Position - Beginning	<u>4,896,042</u>
Net Position - Ending	<u>\$ 4,880,289</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	<u>Internal Service</u>
Cash flows from operating activities	
Cash received from customers	\$ 1,841,067
Cash paid to employees	(377,071)
Cash paid to suppliers	(735,288)
Cash paid for employee benefits	<u>(206,148)</u>
Net cash provided by (used in) operating activities	<u>522,560</u>
Cash flows from capital and related financing activities	
Proceeds from the sale of property, plant and equipment, net	147,745
Purchase of property, plant and equipment	(651,550)
Insurance settlements	<u>22,393</u>
Net cash used in capital and related financing activities	<u>(481,412)</u>
Net increase (decrease) in cash and cash equivalents	41,148
Beginning cash and cash equivalents	<u>225,868</u>
Ending cash and cash equivalents	<u>\$ 267,016</u>

Reconciliation of Net Operating Income (Loss)
to Net Cash Provided By (Used In) Operating Activities

Net operating income (loss)	\$ <u>(185,891)</u>
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization	695,811
Changes in assets and liabilities:	
Increase (decrease) in payables and accruals	<u>12,640</u>
Net adjustments	<u>708,451</u>
Cash provided by (used in) operating activities	<u>\$ 522,560</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2017

	Pension & Other Employee Benefit Trust Funds	Private - Purpose Trust Funds	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>				
Current Assets				
Cash	\$ 506,053	\$ 254,555	\$ 1,029,980	\$ 1,790,588
Investments				
Mutual funds	33,488,716	-	-	33,488,716
Accrued interest	719	-	-	719
Total Current Assets	<u>33,995,488</u>	<u>254,555</u>	<u>1,029,980</u>	<u>35,280,023</u>
<u>LIABILITIES</u>				
Accounts payable	-	-	30,877	30,877
Escrow payable	-	-	999,103	999,103
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,029,980</u>	<u>1,029,980</u>
<u>NET POSITION</u>				
Restricted for pension benefits	<u>\$ 33,995,488</u>	<u>\$ 254,555</u>	<u>\$ -</u>	<u>\$ 34,250,043</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	Pension & Other Employee Benefit Trust <u>Funds</u>	Private - Purpose Trust <u>Funds</u>	Total Fiduciary <u>Funds</u>
Additions			
Contributions			
Member contributions	\$ 245,568	\$ -	\$ 245,568
Employer contributions	770,741	-	770,741
State contributions	688,238	-	688,238
Other contributions/additions	<u>74,817</u>	<u>2,350</u>	<u>77,167</u>
Total Contributions	<u>1,779,364</u>	<u>2,350</u>	<u>1,781,714</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	3,869,861	-	3,869,861
Investment income	<u>705,260</u>	<u>3,216</u>	<u>708,476</u>
Total Investment Earnings	<u>4,575,121</u>	<u>3,216</u>	<u>4,578,337</u>
Less investment expense	<u>118,562</u>	<u>-</u>	<u>118,562</u>
Net Investment Income	<u>4,456,559</u>	<u>3,216</u>	<u>4,459,775</u>
Total Additions	<u>6,235,923</u>	<u>5,566</u>	<u>6,241,489</u>
Deductions			
Benefits	2,425,249	-	2,425,249
Miscellaneous expense	<u>32,365</u>	<u>1,358</u>	<u>33,723</u>
Total Deductions	<u>2,457,614</u>	<u>1,358</u>	<u>2,458,972</u>
Change in Net Position	3,778,309	4,208	3,782,517
Net position restricted for pension benefits:			
Beginning of Year	<u>30,217,179</u>	<u>250,347</u>	<u>30,467,526</u>
End of Year	<u>\$ 33,995,488</u>	<u>\$ 254,555</u>	<u>\$ 34,250,043</u>

The notes to the financial statements are an integral part of this statement

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies

A. *Reporting entity*

Upper Dublin Township is a municipal corporation existing and operating under the First Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. There is one component unit, described as an entity for which the government is considered to be financially accountable.

Discretely presented component units. The following are component units of Upper Dublin Township as the Township has the responsibility for funding, funding deficits; and handles the fiscal management of tax levied on the Fire Company's behalf. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that it is legally separate from the government.

*Upper Dublin Municipal Authority
Fort Washington Fire Company*

Complete financial statements for the individual component units may be obtained at the Township's office for the Municipal Authority and at the entity's administrative offices as follows: Fort Washington Fire Company 1245 Fort Washington Avenue, Fort Washington, PA 19034.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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.

Governmental fund financial statements are reported 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community reinvestment fund* accounts for capital purchases and construction to enhance and improve the community environment throughout the Township.

The *economic development fund* accounts for capital purchases and construction to enhance and improve economic development in the Township.

The *park & recreation fund* accounts for the programs and services provided for residents relating to culture and recreation.

The *capital projects fund* accounts for capital purchases and construction to enhance and improve Township infrastructure.

Additionally, the government reports the following fund types:

The *pension trust fund* accounts for the activities of the Police and Non Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *private purpose trust fund* accounts for monies that are not used to support municipal operations. Activity in each fund is restricted by the purpose designated when the fund was established.

The *internal service fund* accounts for the motor pool and insurance programs. Fees are charged to the various funds to cover their respective costs.

The *agency fund* accounts for monies held by the Township on a purely custodial basis. Assets in the agency fund equal liabilities.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. As the sewer system was sold in 2002, the only remaining operating revenues of the sewer fund are special assessments and collections of outstanding accounts. Operating expenses for enterprise funds include the interfund transfers, consultant expenses, and treatment costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity.

The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of U.S. Treasury obligations. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area savings accounts rates is minimal.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

2. Receivables and payables

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

As of December 31, 2017 there were no interfund balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Due to the immaterial nature of uncollectible accounts, all trade and property tax receivables are deemed fully collectible and an allowance has not been recorded.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed February 1 and payable under the following terms: a 2% discount February 1 through April 1; face amount April 2 through June 1; and a 10% penalty after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

3. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	45
Roads and bridges	75
Storm sewers	100
Lighting	20
Trucks, vehicles and heavy equipment	5-25
Library books	12
Library media	10

Capital assets for the Municipal Authority are primarily roads and bridges that have an estimated useful life of 45-75 years.

5. Compensated absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick benefits. Vacation pay is accrued when earned.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 two items that qualify for reporting in this category:

1. *Net difference between projected and actual assumptions on pension plan liability* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.
2. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

7. Deferred outflows/inflows of resources (continued)

In addition to liabilities, the statement of financial 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 government has two items that qualify for reporting in this category.

- 1. Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- 2. Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

9. Net position

In the government-wide financial statements, net positions are classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

10. Fund balance

The Township follows the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Township has evaluated the use of its various funds under the criteria set forth in GASB Statement 54 and has made changes as needed to classifications. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - Includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

10. Fund balance (continued)

Restricted Fund Balance - Includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - Includes amounts that can only be used for the specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Board of Commissioners. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance - Includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board of Commissioners or (b) a body (a budget, finance committee, or Township Manager and Finance Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - This residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

11. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report which is the date the statements were available for release. No subsequent events have been recognized or disclosed for the Township.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

11. Subsequent events (continued)

The Authority has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. In February, 2018, \$6 million in notes were issued to fund the Fort Washington Park improvements. The notes were issued at an interest rate of 2.825% and will mature in 2043.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All annual appropriations lapse at fiscal year end.

During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Commissioners. There were no budget revisions made during the year. The Board authorized the use of unallocated fund balance in 2017.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

B. Excess of expenditures over appropriations

For the year ended December 31, 2017, expenditures exceeded appropriations in the public safety category of the general fund by \$23,225. On the park and recreation fund expenses exceeded budget by \$58,945. These over expenditures were funded by greater than anticipated revenues.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds

A. *Deposits and investments*

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

<u>Investment Type</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Fair Value</u>
Governmental Funds			
US Treasuries	\$ 6,867,842	\$ -	\$ 6,867,842
US Agencies	4,222,744	875,000	5,097,744
Certificates of Deposit	<u>354,150</u>	<u>1,690,000</u>	2,044,150
PLGIT			5,467,382
Money Market			<u>44,171</u>
Total Governmental Funds	<u>\$ 11,444,736</u>	<u>\$ 2,565,000</u>	<u>\$ 19,521,289</u>

Fair Value Measurements: The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
GOVERNMENTAL FUNDS				
Money Market	\$ 44,171	\$ 44,171	\$ -	\$ -
US Treasuries	6,867,842	6,867,842	-	-
US Agencies	<u>5,097,744</u>	<u>5,097,744</u>	-	-
Total Governmental Funds	<u>\$ 12,009,757</u>	<u>\$ 12,009,757</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY FUNDS				
Money Market	\$ 437,462	\$ 437,462	\$ -	\$ -
Mutual Funds-Bonds	11,623,748	11,623,748	-	-
Mutual Funds-Equities	<u>21,864,968</u>	<u>21,864,968</u>	-	-
Total Fiduciary Funds	<u>\$ 33,926,178</u>	<u>\$ 33,926,178</u>	<u>\$ -</u>	<u>\$ -</u>

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The government has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy states that a cash management investment may not exceed 12 months. Reserve and trust funds may be invested in government securities with maturities exceeding 12 months but not more than 36 months if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government's investment in the external investment pool was rated AAAm by Standard & Poor's. The two bond portfolios in the government's investment in mutual bond funds had average credit ratings of AA- and AA+ by Moody's.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has deposits in money market funds and external investment pools. These deposits are considered cash equivalents because of their short maturity dates and are included in deposits. The government does not have a deposit policy for custodial credit risk. As of December 31, 2017, the government's carrying amount of deposits was \$6,176,279 and the bank balance was \$6,259,914. Of the bank balance, \$2,752,643 was covered by depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

The Township's cash equivalent investments in PLGIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Township's position in the external investment pool is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Township can withdraw funds from the external investment pool without limitation or fee upon adequate notice. At year end the total of the Township balances in the PLGIT funds were \$5,669,874 and the total for the Authority was \$9,472.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As the government invests solely in mutual funds, external investment pools, and US obligations, there is not a concentration of credit risk required to be disclosed.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments are "held in the name of the government" and thus not exposed to custodial credit risk.

As of December 31, 2017, the Fire Company's carrying amount of deposits was \$179,892 and the bank balance was \$193,510. Of the bank balance, \$193,510 was covered by depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

B. *Receivables*

Receivables as of the year end for the government's individual major funds, non-major funds, business-type fund, and internal service fund in the aggregate:

	<u>General</u>	<u>Community Reinvestment</u>	<u>Park & Recreation</u>	<u>Econmic Development</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 345,424	\$ -	\$ 29,233	\$ 3,213,076	\$ -	\$ 23,732	\$ 3,611,465
Accounts	37,214	-	-	-	-	-	37,214
Special assessments	29,582	-	-	-	235,439	-	265,021
Interest	10,250	48,218	-	-	-	-	58,468
Total Receivables	<u>\$ 422,470</u>	<u>\$ 48,218</u>	<u>\$ 29,233</u>	<u>\$ 3,213,076</u>	<u>\$ 235,439</u>	<u>\$ 23,732</u>	<u>\$ 3,972,168</u>

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

C. *Capital assets*

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,927,515	\$ 2,720	\$ -	\$ 17,930,235
Construction in Progress	<u>2,817,875</u>	<u>12,107,401</u>	<u>8,048,727</u>	<u>6,876,549</u>
Total capital assets, not being depreciated	<u>20,745,390</u>	<u>12,110,121</u>	<u>8,048,727</u>	<u>24,806,784</u>
Capital assets, being depreciated:				
Buildings and improvements	29,081,510	382,186	-	29,463,696
Machinery, vehicles and equipment	10,954,203	670,867	643,963	10,981,107
Library	1,839,579	211,567	220,303	1,830,843
Infrastructure	<u>107,476,728</u>	<u>7,663,822</u>	<u>-</u>	<u>115,140,550</u>
Total capital assets being depreciated	<u>149,352,020</u>	<u>8,928,442</u>	<u>864,266</u>	<u>157,416,196</u>
Less accumulated depreciation for:				
Buildings and improvements	8,351,152	628,306	-	8,979,458
Machinery, vehicles and equipment	6,215,010	695,811	624,646	6,286,175
Library	1,109,589	159,770	-	1,269,359
Infrastructure	<u>34,973,067</u>	<u>1,803,765</u>	<u>-</u>	<u>36,776,832</u>
Total accumulated depreciation	<u>50,648,818</u>	<u>3,287,652</u>	<u>624,646</u>	<u>53,311,824</u>
Total capital assets, being depreciated, net	<u>98,703,202</u>	<u>5,640,790</u>	<u>239,620</u>	<u>104,104,372</u>
Governmental-type activities capital assets, net	<u>\$ 119,448,592</u>	<u>\$ 17,750,911</u>	<u>\$ 8,288,347</u>	<u>\$ 128,911,156</u>

The Authority had \$76,577 in Construction in Progress in their first year of operations and none was put into service so there is no depreciation.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

C. *Capital assets (continued)*

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administrative	\$ 55,373
Codes	20,918
Police and emergency services	553,560
Public works, including depreciation of general infrastructure except park systems	2,053,902
Libraries	230,324
Parks, including depreciation related to park systems	<u>373,575</u>
Total depreciation expense - governmental activities	<u>\$ 3,287,652</u>

D. *Interfund receivables, payables, and transfers*

Interfund transfers:

	Transfer <u>Out</u>	Transfer <u>In</u>
General Fund	\$ 1,154,005	\$ -
Park & Recreation	-	50,000
Community reinvestment	325,000	250,000
Economic Development	-	454,005
Non-major governmental	<u>1,615,451</u>	<u>2,340,451</u>
Total	<u>\$ 3,094,456</u>	<u>\$ 3,094,456</u>

The interfund transfers are a result of various funds sharing the cost of pension and capital project expense. Additionally, funds that actually pay expenditures are reimbursed by the fund incurring the expense in accordance with budgetary authorizations.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

E. Leases

Operating Leases

The government leases many pieces of office equipment under noncancelable operating leases. Total liabilities under these leases are considered immaterial to the financial statements.

Capital Leases

The Township did not have any capital lease obligations as of December 31, 2017.

F. Long-term debt

General Obligation Notes

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. The original amount of general obligation notes issued was \$51,900,000.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 15-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	varies	<u>\$ 40,295,000</u>

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Interest Rate Management

The Township has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs of participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

Terms: The significant terms of the interest rate swap was as follows:

Date of Issue	Maturity Date	Principal Outstanding	Type of Note	Rate in Effect at Year End	Market Value
1998	2018	\$ 411,000	Fixed	4.996%	\$ 62,906
2008	2028	6,012,000	Fixed	4.088%	920,177
2016	2036	3,837,000	Fixed	2.150%	587,279
2017	2037	<u>9,000,000</u>	Fixed	2.579%	<u>1,377,511</u>
		<u>\$ 19,260,000</u>			<u>\$ 2,947,873</u>

Interest Rate Risk: The Township has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Township elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the “Municipal Swap Index”), adjusts weekly with a maximum interest rate of 15%. If the Township elects a fixed rate, the rate, with terms and conditions selected by the Township, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Township has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

Basis Risk: The Township does not have a basis risk.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Interest Rate Management (continued)

Credit Risk: The Township is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2017, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

Termination Risk: The Township is obligated to pay any termination payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A termination payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA.

In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the termination payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the termination payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment.

The estimated termination payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township debt as of December 31, 2017, is shown in the table on the previous page. In the event of a termination payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the termination payment allocable to variable rate Notes would be retained by DVRFA.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Interest Rate Management (continued)

Rollover Risk: This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is schedule to mature at the same time as the related debt.

Market Access Risk: The Township does not have this risk.

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending <u>December 31</u>	Governmental Activities <u>Principal</u>
2018	\$ 2,711,000
2019	2,796,000
2020	2,867,000
2021	2,950,000
2022	2,005,000
2023-2027	10,862,000
2028-2032	9,620,000
2033-2037	<u>6,484,000</u>
	<u>\$ 40,295,000</u>

Long-term liability activity for the year ended December 31, 2017 was as follows:

Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
\$ 33,072,000	\$ 9,000,000	\$ 1,777,000	\$ 40,295,000	\$ 2,711,000
206,194	-	12,414	193,780	-
<u>(81,728)</u>	<u>-</u>	<u>(4,540)</u>	<u>(77,188)</u>	<u>-</u>
33,196,466	9,000,000	1,784,874	40,411,592	2,711,000
11,462,025	-	1,188,339	10,273,686	-
652,337	-	101,653	550,684	-
<u>158,354</u>	<u>27,709</u>	<u>4,600</u>	<u>181,463</u>	<u>4,000</u>
<u>\$ 45,469,182</u>	<u>\$ 9,027,709</u>	<u>\$ 3,079,466</u>	<u>\$ 51,417,425</u>	<u>\$ 2,715,000</u>

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Changes in long-term liabilities

Debt service for general obligation bonds, notes, and capital leases are funded primarily from taxes for governmental activities. Any liabilities for compensated absences, net pension liabilities, or OPEB obligations are generally liquidated by the general fund for governmental activities.

On November 15, 2011, the Township issued \$5,860,000 in general obligation bonds with interest rates ranging between .6 and 3.0%. The Township issued the bonds to advance refund \$5,445,000 of the outstanding series 2002 and 2005 general obligation bonds with interest rates of 4.9% and 3.9%. The Township used the net proceeds to purchase US government bonds. These bonds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2002 and 2005 series bonds. As a result, the 2001 series bonds are consider defeased, and the Township has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$3,560,000 as of December 31, 2017. The advance refunding reduced total debt service payments over the next ten years by \$298,575. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$28,618.

On September 23, 2014, the Township issued \$8,535,000 in general obligation bonds with interest rates ranging between .7 and 3.28%. The Township issued the bonds to advance refund \$8,175,000 of the outstanding series 2010 general obligation bonds with interest rates of 3.98%. The Township used the net proceeds to purchase US government bonds. These bonds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2010 series bonds. As a result, the 2010 series bonds are consider defeased, and the Township has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$7,635,000 as of December 31, 2017. The advance refunding reduced total debt service payments over the next twenty years by \$173,504. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$166,354.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

III. Detailed notes on all funds (Continued)

F. Long-term debt (continued)

Changes in long-term liabilities (continued)

On April 21, 2015, the Township issued \$2,535,000 in general obligation bonds with interest rates ranging between .55 and 3.25%. The Township issued the bonds to advance refund \$2,390,000 of the outstanding series 2010 general obligation bonds with interest rates of 3.98%. The Township used the net proceeds to purchase US government bonds. These bonds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2010 series bonds. As a result, the 2010 series bonds are considered defeased, and the Township has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$2,230,000 as of December 31, 2017. The advance refunding reduced total debt service payments over the next twenty years by \$142,401. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$140,385.

On October 27, 2016, the Township issued \$9,850,000 in general obligation bonds with interest rates ranging between .80 and 2.625%. The Township issued the bonds to advance refund \$3,825,000 of the outstanding series 2011 general obligation bonds with interest rates of 2.484% and \$4,750,000 of the outstanding series A 2013 general obligation bonds with interest rates of 2.527% and to provide for \$1,000,000 for construction projects. The Township used the net proceeds to purchase US government bonds. These bonds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2011 and 2013 series bonds. As a result, the 2011 and 2013 series bonds are considered defeased, and the Township has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$8,575,000 as of December 31, 2017. The advance refunding reduced total debt service payments over the next twenty years by \$585,272. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$57,848.

On December 15, 2017, the Township issued \$9,000,000 in general obligation bonds with interest rates of 2.579%. The Township issued the bonds to provide for \$9,000,000 for construction projects.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information

A. *Risk management*

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2017 was \$298,355. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2017 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Upper Dublin's share was \$71,910.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2017 was \$497,360. The Trust declared a dividend in 2017. Upper Dublin Township's share of the dividend distribution was \$46,933. At December 31, 2017, there were no additional assessments due or anticipated. Instead, an audit of the reported 2017 payroll will be performed during the first quarter of 2018.

B. *Contingent liabilities*

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

C. *Employee retirement systems and pension plans*

Plan Description and Membership

The Township sponsors two single employer defined benefit pension plans, the Police Pension Plan and the Non-Uniformed Pension Plan. They are controlled by the provisions of Ordinances No. 49 for the Police and 939 Non-Uniformed, as amended, adopted pursuant to Act 581. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2017 whose details are discussed below.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Plan Description and Membership (continued)

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township who join the Plan on the date of hire.

Non-Uniformed Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time employees, except members of the police force, of the Township who join the Plan on December 31 following employment. Township Department Head employees who did not participate in the Plan upon hire date may participate upon approval of the Board.

The plans are governed by the Board of Commissioners which is responsible for the management of plan assets. The Board of Commissioners has appointed a Pension Board for each of the plans as the official bodies to which all related investment matters of the Fund are delegated.

The Pension Boards consist of five members, consisting of Township Manager, Township Finance Director, one member of the Board of Commissioners and two participants of the plans. The Board of Commissioners has delegated the authority to manage certain plan assets to PFM Asset Management LLC with Wells Fargo bank as custodian.

At December 31, 2017, Upper Dublin Township Pension Plans consisted of the following:

	<u>Police</u>	<u>Non-Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits (1)	39	28
Inactive employees entitled to benefits but not yet receiving them	0	5
Active employees	<u>35</u>	<u>83</u>
	<u>74</u>	<u>116</u>

(1) Police - Includes 5 members in the DROP

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Benefits Provided

Non-Uniformed Defined Benefit Pension Plan: The Pension Plan provides retirement and disability benefits for non-uniform full-time employees. A participant is eligible for normal retirement benefits on the first day of the month coincident with or immediately following attainment of age 60. The normal retirement pension is payable monthly during the participant's lifetime, with payments guaranteed for the first 120 months. The amount of monthly pension is equal to 1.35% (1.1667% prior to January 1, 2001) of average monthly pay per year of service – up to 30 years. Average monthly pay is based upon the last 60 months of employment. Overtime pay is included. Participants' benefits vest according to a vesting schedule.

If a participant continues working after the normal retirement date, the pension does not start until the participant actually retires. The late retirement benefit is the greater of the benefit accrued to the retirement date or the actuarial equivalent of the normal retirement benefit. Early retirement is available after age 55 and 10 years of service. The early retirement benefit is the pension accrued to the date of early retirement reduced by 0.5% for each month by which the early retirement date precedes the normal retirement date. A death benefit is payable to a participant's surviving spouse, or beneficiary in an amount equal to the present value of his accrued benefit.

Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

The Police Pension Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. A member is eligible to enter the DROP program on or after his normal retirement date. Upon entering the DROP program, the member's retirement benefit is frozen and his retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. The member must retire within 48 months after entering the DROP. As of December 31, 2017, the DROP account balance of \$1,105,594 is held by the plan pursuant to the DROP.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Benefits Provided (continued)

Police Pension Defined Benefit Pension Plan: The Pension Fund provides retirement benefits as well as death and disability benefits. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 with 25 years of credited service are entitled to monthly retirement benefit, payable for life, in an amount equal to 50% (60% if retire on or after January 1, 2013) of their average eligible monthly compensation received during the last 36 months of employment (excluding overtime). A member who completes at least 20 years of service and terminates prior to reaching the normal retirement may receive an immediate pension. The pension is the accrued pension, reduced by an actuarial factor to account for early payment. If a participant continues working after his normal retirements date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date. A disability pension is available to participants disabled in the line of duty. The disability pension is equal to 50% of the member's monthly salary at the time of disability. If an active member is killed in the line of duty, the Plan provides a monthly death benefit to the surviving spouse, or eligible child equal to 100% of the member's monthly salary at the time of death. If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death. Benefits and Contribution provisions are established by Pennsylvania law. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Measurement Focus and Basis of Accounting (continued)

Method Used to Value Investments: In both the Police and Non-Uniform Pension Plans, equity securities are reported at fair value. Fixed income securities are reported at fair value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions

Non-Uniformed member contributions are not required prior to 2002. For 2002, union employees contribute 1% of pay and non-union employees contributed .5% of pay. Effective January 1, 2003, members shall contribute 1% of pay. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

Police member contributions are determined each year according to funding needs. Member contributions are 5% of pay for 2017. Member contributions are credited with 5% interest. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$674,473 for the pensions for the year ended December 31, 2017.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Investments

Investment Policy: The pension Board, with the assistance of PFM Asset Management LLC., shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments or industries.

Rate of Return: For the year ended December 31, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense was 15.80% for police and 15.69% percent for Non Uniform. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 29,314,137	\$ 14,893,292
Plan fiduciary net position	<u>(22,985,577)</u>	<u>(10,948,166)</u>
Net pension liability	<u>\$ 6,328,560</u>	<u>\$ 3,945,126</u>
Plan fiduciary net position as a percentage of the total pension liability	78%	74%

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Net Pension Liability (continued)

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation for Police was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniformed</u>	
Inflation	3.0%	3.0%	
Salary Increases	4.5%	4.5%	(average, including inflation)
Investment Rate of Return	7.5%	7.5%	(including inflation)
Postretirement Cost of Living Increase	3.0%	0.0%	

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males and females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014.

The net pension liability for the Plans was measured as of December 31, 2017 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. For the Non-Uniformed Pension Plan, no significant events or changes in assumptions occurred between the valuation date and the fiscal year end. For the Police Pension Plan, survivor benefits increased from 50% to 60% for retirement after January 1, 2013.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Net Pension Liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2015 as summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	39.0%	5.50% - 7.50%
International Equity	21.0%	4.50% - 6.50%
Fixed Income	35.0%	1.00% - 3.00%
Real Estate	0.0%	4.50% - 6.50%
Cash	5.0%	0.00% - 1.00%

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent for both Police and Non-Uniformed Pension Plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. *Employee retirement systems and pension plans (continued)*

Net Pension Liability (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Postion	Net Pension Liability
<u>Police Pension Plan</u>			
Balance at December 31, 2016	\$ 28,679,817	\$ 20,738,921	\$ 7,940,896
Changes for the year:			
Service cost	519,781	-	519,781
Interest	2,060,024	-	2,060,024
Change of benefit terms	-	-	-
Differences between expected and actual experience	(817,715)	-	(817,715)
Change of assumptions	732,632	-	732,632
Contributions - employer	-	798,522	(798,522)
Contributions - employee	-	191,424	(191,424)
Net investment income	-	3,133,542	(3,133,542)
Benefit payments, including refunds of employee contributions	(1,860,402)	(1,860,402)	-
Administrative expense	-	(16,430)	16,430
Other changes	-	-	-
Net Changes	<u>634,320</u>	<u>2,246,656</u>	<u>(1,612,336)</u>
Balance at December 31, 2017	<u>\$ 29,314,137</u>	<u>\$ 22,985,577</u>	<u>\$ 6,328,560</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Postion	Net Pension Liability
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2016	\$ 12,846,456	\$ 9,325,327	\$ 3,521,129
Changes for the year:			
Service cost	371,862	-	371,862
Interest	1,055,866	-	1,055,866
Change of benefit terms	-	-	-
Differences between expected and actual experience	554,402	-	554,402
Change of assumptions	546,269	-	546,269
Contributions - employer	-	660,457	(660,457)
Contributions - employee	-	54,648	(54,648)
Net investment income	-	1,405,232	(1,405,232)
Benefit payments, including refunds of employee contributions	(481,563)	(481,563)	-
Administrative expense	-	(15,935)	15,935
Other changes	-	-	-
Net Changes	<u>2,046,836</u>	<u>1,622,839</u>	<u>423,997</u>
Balance at December 31, 2017	<u>\$ 14,893,292</u>	<u>\$ 10,948,166</u>	<u>\$ 3,945,126</u>

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Net Pension Liability (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Net pension liability			
Police	\$ 9,838,558	\$ 6,328,560	\$ 3,388,348
Non-Uniformed	5,483,236	3,945,126	2,619,412

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2017, the Township recognized pension expense of \$846,881 for Police Pension and \$899,097 for Non-Uniformed Pension. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ -	\$ 960,592
Changes in assumptions	610,527	-
Net difference between projected and actual earnings on pension plan investments	<u>780,611</u>	<u>1,289,105</u>
Total	<u>\$ 1,391,138</u>	<u>\$ 2,249,697</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ 747,916	\$ -
Changes in assumptions	468,231	-
Net difference between projected and actual earnings on pension plan investments	<u>339,650</u>	<u>558,138</u>
Total	<u>\$ 1,555,797</u>	<u>\$ 558,138</u>

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

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

Year Ended December 31:	<u>Police</u>	<u>Non-Uniformed</u>
2017	\$ (35,789)	\$ 217,642
2018	(35,790)	217,641
2019	(324,677)	93,838
2020	(392,290)	63,157
2021	(70,013)	202,691
Thereafter	-	202,690
Total	<u>\$ (858,559)</u>	<u>\$ 997,659</u>

Payable to the Pension Plan: For the year ended December 31, 2017, there was no amount payable for contributions to the pension plan.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for the program, which are age 50 and 25 years of service, may elect to participate in the deferred retirement option program for a period of at least one year, but not more than four years. Monthly pension shall be calculated as of the date of participation in the program and shall be accumulated in a self-directed account and distributed in a lump sum at retirement. As of December 31, 2017, the DROP account balance of \$1,105,593 is held by the plan pursuant to the DROP.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other postemployment benefit plans

The Township adopted the provisions of GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” (OPEB).

The Township administers an employer defined benefit plan to provide for certain postretirement healthcare

In accordance with the Police Labor Contract effective January 25, 1996, the Township implemented a post-retirement healthcare benefit plan for police employees who retire from the Township. All officers will be eligible for coverage upon retirement after reaching the minimum age of 50 years and the completion of 25 years of service. A retired officer’s spouse, surviving spouse as long as he/she has not remarried, are also eligible for coverage under the plan. Plan benefits may be amended through Police Labor Contracts.

Description of the Police OPEB Plan

An officer who retires between January 1, 1995 and December 31, 2019 will receive, based on year of retirement a maximum defined benefit amount that may be drawn down by the retiree or the retiree’s spouse.

The plan does not issue a stand-alone financial report.

Funding Policy

The contribution requirements of plan members have been established and may be amended through Police Labor Contracts. Currently Retirees are not required to make contributions to the plan. The Township is accounting for these expenditures on a “pay-as-you-go” basis. In 2017 there were no contributions made into the plan by the Township. The amount paid out for insurance premium reimbursements to eligible retirees for the 2017 was \$56,572 under the police plan.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

D. Other postemployment benefit plans (continued)

Funded Status and Funding Progress

The Township has elected not to have an actuarial valuation to determine the ARC. It is estimated, given the actual amount paid out for insurance premium reimbursements to eligible retirees, that any remaining unfunded balance would be immaterial. The estimated present value of the OPEB liability is \$550,684. This liability number is calculated with the assumptions of employees will retire when they reach eligibility and a 3% rate of return. The estimated amount not funded for the year end December 31, 2017 was \$137,671, which was calculated by using an amortization factor of four years. The Township currently has 22 participants eligible to receive benefits.

E. Municipal life insurance

The Township is required to provide \$5,000 in life insurance coverage for each retired police officer who has completed 25 years of service and reached age 50. During 2017, \$5,000 was paid out in benefits. At December 31, 2017, the Township has twenty-eight retired police officers eligible for this benefit.

F. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2017, \$999,103 represents the balance of these monies held in escrow.

G. Self-insurance

The Township is self-insured for short-term disability, and general liability claims on the first \$25,000 of any claim; \$100,000 in aggregate per annum. The Township carried liability insurance for amounts not otherwise self-insured. Estimated losses on claims are charged to expense in the period the loss is determinable. For the year ended December 31, 2017, \$11,431 was expensed for short-term disability.

UPPER DUBLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

IV. Other information (Continued)

H. Related Party Commitments

Management Agreement: During 2017, the Township signed an intergovernmental agreement with the Authority for provision of services. Under the terms of the agreement, the Township will provide all relevant and related management, administrative insurance accounting, audit, operations and maintenance requirements of the Authority in regard to projects implemented by the Authority. The Authority will pay the employees at their regular Township hourly rates. Other appropriate costs will be passed through to the Authority. The agreement is for the life of the Authority.

I. New Accounting Pronouncements

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. This Statement is effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) that are included in the general purpose external financial reports of governmental entities. The implementation of this Statement had no effect on the balances in the financial statements. Note IV. D. has not been adjusted in accordance with the new standards. The Township believes the changes would not be material to the note.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for fiscal years beginning after June 15, 2017, earlier implementation is encouraged. The objective of this Statement is to improve accounting and financial reporting by local governments for postemployment benefits other than pensions. This statement modifies the accounting for the Township's other postemployment benefit plan.

**REQUIRED
SUPPLEMENTAL INFORMATION**

UPPER DUBLIN TOWNSHIP

Required Supplemental Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 519,781	\$ 523,875	\$ 498,929	\$ 445,157
Interest	2,060,024	2,026,830	1,910,898	1,872,117
Changes of benefit terms	-	-	170,470	-
Differences between expected and actual experience	(817,715)	-	(446,659)	-
Changes of assumptions	732,632	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,860,402)</u>	<u>(1,180,156)</u>	<u>(1,088,455)</u>	<u>(1,220,211)</u>
Net change in total pension liability	634,320	1,370,549	1,045,183	1,097,063
Total pension liability - beginning	<u>28,679,817</u>	<u>27,309,268</u>	<u>26,264,085</u>	<u>25,167,022</u>
Total pension liability - ending (a)	<u>\$ 29,314,137</u>	<u>\$ 28,679,817</u>	<u>\$ 27,309,268</u>	<u>\$ 26,264,085</u>
Plan fiduciary net position				
Contributions - employer	\$ 798,522	\$ 730,499	\$ 734,786	\$ 591,310
Contributions - employee	191,424	185,329	177,274	180,737
Net investment income	3,133,542	1,141,897	48,932	1,048,687
Benefit payments, including refunds of employee contributions	(1,860,402)	(1,180,156)	(1,088,455)	(1,220,211)
Administrative expense	(16,430)	(6,920)	(8,430)	(3,170)
Other	-	-	-	-
Net change in plan fiduciary net position	2,246,656	870,649	(135,893)	597,353
Plan fiduciary net position - beginning	<u>20,738,921</u>	<u>19,868,272</u>	<u>20,004,165</u>	<u>19,406,812</u>
Plan fiduciary net position - ending (b)	<u>\$ 22,985,577</u>	<u>\$ 20,738,921</u>	<u>\$ 19,868,272</u>	<u>\$ 20,004,165</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 6,328,560</u>	<u>\$ 7,940,896</u>	<u>\$ 7,440,996</u>	<u>\$ 6,259,920</u>
Plan fiduciary net position as a percentage of the total pension liability	78.4%	72.3%	72.8%	76.2%
Covered-employee payroll	\$ 3,875,595	\$ 3,602,643	\$ 3,680,011	\$ 3,614,738
Township's net pension liability as a percentage of covered-employee payroll	163.3%	220.4%	202.2%	173.2%
Annual money-weighted return, net of investment expenses	15.80%	6.20%	-0.76%	3.68%

Notes to Schedule:

Change in benefit terms: Survivor benefit increased from 50% to 60% for retirement after January 1, 2015.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER DUBLIN TOWNSHIP

Required Supplemental Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
NON-UNIFORMED PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 371,862	\$ 296,850	\$ 284,067	\$ 292,409
Interest	1,055,866	911,300	864,270	815,664
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	554,402	-	409,073	-
Changes of assumptions	546,269	-	-	-
Benefit payments, including refunds of employee contributions	<u>(481,563)</u>	<u>(431,032)</u>	<u>(637,065)</u>	<u>(1,084,393)</u>
Net change in total pension liability	2,046,836	777,118	920,345	23,680
Total pension liability - beginning	<u>12,846,456</u>	<u>12,069,338</u>	<u>11,148,993</u>	<u>11,125,313</u>
Total pension liability - ending (a)	<u>\$ 14,893,292</u>	<u>\$ 12,846,456</u>	<u>\$ 12,069,338</u>	<u>\$ 11,148,993</u>
Plan fiduciary net position				
Contributions - employer	\$ 660,457	\$ 648,691	\$ 629,792	\$ 498,923
Contributions - employee	54,648	51,766	51,472	48,045
Net investment income	1,405,232	498,837	20,823	426,583
Benefit payments, including refunds of employee contributions	(481,563)	(431,032)	(637,065)	-
Administrative expense	(15,935)	(9,470)	(15,350)	(1,084,393)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,450)</u>
Net change in plan fiduciary net position	1,622,839	758,792	49,672	(115,292)
Plan fiduciary net position - beginning	<u>9,325,327</u>	<u>8,566,535</u>	<u>8,516,863</u>	<u>8,632,155</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,948,166</u>	<u>\$ 9,325,327</u>	<u>\$ 8,566,535</u>	<u>\$ 8,516,863</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 3,945,126</u>	<u>\$ 3,521,129</u>	<u>\$ 3,502,803</u>	<u>\$ 2,632,130</u>
Plan fiduciary net position as a percentage of the total pension liability	73.5%	72.6%	71.0%	76.4%
Covered-employee payroll	\$ 5,527,106	\$ 5,089,310	\$ 5,508,235	\$ 4,817,117
Township's net pension liability as a percentage of covered-employee payroll	71.4%	69.2%	63.6%	54.6%
Annual money-weighted return, net of investment expenses	15.69%	6.24%	-0.76%	3.68%

Notes to Schedule:

Change in benefit terms: None since 1/1/2013

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER DUBLIN TOWNSHIP

Required Supplemental Information

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2008	\$ 256,511	\$ 256,511	\$ -	\$ 3,035,181	(1) 8.45%
2009	254,909	254,909	-	3,157,599	(1) 8.07%
2010	272,395	272,395	-	3,157,599	(1) 8.63%
2011	451,445	512,779	(61,334)	3,463,674	(1) 14.80%
2012	466,808	466,808	-	3,463,674	(1) 13.48%
2013	581,633	581,633	-	4,010,672	(1) 14.50%
2014	591,310	591,310	-	3,614,738	16.36%
2015	734,786	734,786	-	3,680,011	19.97%
2016	730,499	730,499	-	3,602,643	20.28%
2017	798,522	798,522	-	3,875,595	20.60%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	20 years
Asset valuation method	Market value of assets as determine by the trustee
Inflation	3%
Projected salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 51 and completion of 29 years of service
Mortality	RP2000 Table. This table does not include projected mortality improvements.

Change in benefit terms: Survivor benefit increased from 50% to 60% for retirement after January 1, 2015.

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2015 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER DUBLIN TOWNSHIP

Required Supplemental Information

SCHEDULE OF CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2008	\$ 263,952	\$ 263,952	\$ -	\$ 3,187,571	(1) 8.28%
2009	272,106	273,295	(1,189)	4,269,075	(1) 6.40%
2010	289,820	289,820	-	4,269,075	(1) 6.79%
2011	365,909	405,036	(39,127)	4,667,225	(1) 8.68%
2012	372,897	372,897	-	4,667,225	(1) 7.99%
2013	501,919	501,919	-	4,524,422	(1) 11.09%
2014	498,923	498,923	-	4,817,117	10.36%
2015	629,792	629,792	-	5,508,235	11.43%
2016	648,691	648,691	-	5,089,310	12.75%
2017	660,457	660,457	-	5,527,106	12.95%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	13 years
Asset valuation method	Market value of assets as determine by the trustee
Inflation	3%
Projected salary increases	4.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 62
Mortality	RP2000 Table. This table does not include projected mortality improvements.

Change in benefit terms: None since 1/1/2015

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

UPPER DUBLIN TOWNSHIP

COMBINING BALANCE SHEET NONMAJOR
GOVERNMENTAL FUNDS

December 31, 2017

	<u>Special Revenue Funds</u>			
	<u>Fire Protection</u>	<u>Library</u>	<u>Highway Aid</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 1,834	\$ 109,647	\$ -	\$ 111,481
Receivables	6,849	5,370	-	12,219
TOTAL ASSETS	<u>\$ 8,683</u>	<u>\$ 115,017</u>	<u>\$ -</u>	<u>\$ 123,700</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable and accrued wages	\$ 4,642	\$ 39,695	\$ -	\$ 44,337
Total Liabilities	<u>4,642</u>	<u>39,695</u>	<u>-</u>	<u>44,337</u>
Fund Balances				
Restricted for				
Public safety	4,041	-	-	4,041
Culture and recreation		75,322	-	75,322
Debt service	-	-	-	-
Assigned for				
Public works	-	-	-	-
Culture & recreation	-	-	-	-
Total Fund Balances	<u>4,041</u>	<u>75,322</u>	<u>-</u>	<u>79,363</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,683</u>	<u>\$ 115,017</u>	<u>\$ -</u>	<u>\$ 123,700</u>

Capital Projects Funds				Debt Service	Total Nonmajor Governmental Funds
Open Space	Stormwater Management	Fire Capital	Total		
\$ 103,887	\$ 200,000	\$ 965,951	\$ 1,269,838	\$ 1,142,176	\$ 2,523,495
-	-	-	-	11,513	23,732
<u>\$ 103,887</u>	<u>\$ 200,000</u>	<u>\$ 965,951</u>	<u>\$ 1,269,838</u>	<u>\$ 1,153,689</u>	<u>\$ 2,547,227</u>
\$ 2,083	\$ 613	\$ 16,831	\$ 19,527	\$ -	\$ 63,864
<u>2,083</u>	<u>613</u>	<u>16,831</u>	<u>19,527</u>	<u>-</u>	<u>63,864</u>
-	-	949,120	949,120	-	953,161
31,521	-	-	31,521	-	106,843
-	-	-	-	1,153,689	1,153,689
-	199,387	-	199,387	-	199,387
70,283	-	-	70,283	-	70,283
<u>101,804</u>	<u>199,387</u>	<u>949,120</u>	<u>1,250,311</u>	<u>1,153,689</u>	<u>2,483,363</u>
<u>\$ 103,887</u>	<u>\$ 200,000</u>	<u>\$ 965,951</u>	<u>\$ 1,269,838</u>	<u>\$ 1,153,689</u>	<u>\$ 2,547,227</u>

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

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

For the Year Ended December 31, 2017

	Special Revenue Funds			
	Fire Protection	Library	Highway Aid	Total
Revenues				
Taxes:				
Property	\$ 1,366,123	\$ 1,071,196	\$ -	\$ 2,437,319
Investment income and rent	1,200	1,260	5,125	7,585
Grants	-	84,012	798,106	882,118
Program revenues	14,200	36,112	-	50,312
Other	100	2,489	-	2,589
Total Revenues	1,381,623	1,195,069	803,231	3,379,923
Expenditures				
Current:				
Public safety	494,362	-	-	494,362
Culture and recreation	-	1,169,951	-	1,169,951
Miscellaneous	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects	-	-	-	-
Total Expenditures	494,362	1,169,951	-	1,664,313
Excess (Deficiency) of Revenues Over Expenditures	887,261	25,118	803,231	1,715,610
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(901,000)	-	(803,267)	(1,704,267)
Total Other Financing Sources (Uses)	(901,000)	-	(803,267)	(1,704,267)
Net Change in Fund Balances	(13,739)	25,118	(36)	11,343
Fund Balance - Beginning	17,780	50,204	36	68,020
Fund Balance - Ending	\$ 4,041	\$ 75,322	\$ -	\$ 79,363

Capital Projects Funds				Debt Service	Total Nonmajor Governmental Funds
Open Space	Stormwater Management	Fire Capital	Total		
\$ -	\$ -	\$ -	\$ -	\$ 2,296,469	\$ 4,733,788
1,518	3,449	2,460	7,427	10,525	25,537
-	-	-	-	-	882,118
-	-	-	-	-	50,312
96,129	-	1,000	97,129	-	99,718
<u>97,647</u>	<u>3,449</u>	<u>3,460</u>	<u>104,556</u>	<u>2,306,994</u>	<u>5,791,473</u>
-	-	-	-	-	494,362
-	-	-	-	-	1,169,951
-	-	-	-	2,580	2,580
-	-	-	-	1,777,000	1,777,000
-	-	-	-	866,008	866,008
86,035	154,757	81,799	322,591	-	322,591
<u>86,035</u>	<u>154,757</u>	<u>81,799</u>	<u>322,591</u>	<u>2,645,588</u>	<u>4,632,492</u>
11,612	(151,308)	(78,339)	(218,035)	(338,594)	1,158,981
-	-	240,000	240,000	661,000	901,000
-	(1,030,815)	-	(1,030,815)	-	(2,735,082)
-	(1,030,815)	240,000	(790,815)	661,000	(1,834,082)
11,612	(1,182,123)	161,661	(1,008,850)	322,406	(675,101)
90,192	1,381,510	787,459	2,259,161	831,283	3,158,464
<u>\$ 101,804</u>	<u>\$ 199,387</u>	<u>\$ 949,120</u>	<u>\$ 1,250,311</u>	<u>\$ 1,153,689</u>	<u>\$ 2,483,363</u>

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

COMBINING STATEMENT OF NET POSITION -
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2017

	<u>Motor Pool Fund</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 267,016
Total Current Assets	<u>267,016</u>
Fixed Assets (net of accumulated depreciation, where applicable)	<u>4,694,931</u>
 TOTAL ASSETS	 <u>4,961,947</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts payable and accrued wages	<u>81,658</u>
Total Current Liabilities	<u>81,658</u>
Net Position	
Unrestricted	<u>4,880,289</u>
Total Net Position	<u>\$ 4,880,289</u>

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2017

	<u>Motor Pool Fund</u>
Operating Revenues	
Charges for services	\$ 1,808,957
Intergovernmental revenue	27,530
Other	<u>4,580</u>
Total Operating Revenues	<u>1,841,067</u>
 Operating Expenditures	
Motor pool	1,331,147
Depreciation	<u>695,811</u>
Total Operating Expenditures	<u>2,026,958</u>
 Operating Income (Loss)	<u>(185,891)</u>
 Nonoperating Revenues (Expenses)	
Proceeds from sale of assets	147,745
Insurance claim settlements	<u>22,393</u>
Total Nonoperating Revenue (Expenses)	<u>170,138</u>
 Change in Net Position	(15,753)
Net Position - Beginning	<u>4,896,042</u>
Net Position - Ending	<u>\$ 4,880,289</u>

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

COMBINING STATEMENT OF NET POSITION -
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	<u>Pension and Other Employee Benefit Trust Funds</u>				<u>Private Purpose Trust Funds</u>	
	<u>Police Pension</u>	<u>Municipal Pension</u>	<u>Police Life Insurance</u>	<u>Total</u>	<u>D.A.R.E</u>	<u>Cheston Trust</u>
<u>ASSETS</u>						
Current Assets						
Cash	\$ 277,867	\$ 159,595	\$ 68,591	\$ 506,053	\$ 2,565	\$ 53,893
Receivables						
Accrued interest	471	248	-	719	-	-
Total receivables	<u>471</u>	<u>248</u>	<u>-</u>	<u>719</u>	<u>-</u>	<u>-</u>
Investments						
Mutual funds	22,700,393	10,788,323	-	33,488,716	-	-
Total Current Assets	<u>22,978,731</u>	<u>10,948,166</u>	<u>68,591</u>	<u>33,995,488</u>	<u>2,565</u>	<u>53,893</u>
<u>LIABILITIES</u>						
Accounts payable	-	-	-	-	-	-
Escrow payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>						
Net Position - Restricted for pension benefits and other purposes	<u>\$ 22,978,731</u>	<u>\$ 10,948,166</u>	<u>\$ 68,591</u>	<u>\$ 33,995,488</u>	<u>\$ 2,565</u>	<u>\$ 53,893</u>

Private Purpose Trust Funds					Agency Funds Earned			Total
Dannenberg Trust	Bauman Trust	Kayser Scholarship	North Hills	Total	General Escrow	Income Taxes	Total	Fiduciary Funds
\$ 152,412	\$ 20,698	\$ 5,316	\$ 19,671	\$ 254,555	\$ 1,002,355	\$ 27,625	\$ 1,029,980	\$ 1,790,588
-	-	-	-	-	-	-	-	719
-	-	-	-	-	-	-	-	719
-	-	-	-	-	-	-	-	33,488,716
<u>152,412</u>	<u>20,698</u>	<u>5,316</u>	<u>19,671</u>	<u>254,555</u>	<u>1,002,355</u>	<u>27,625</u>	<u>1,029,980</u>	<u>35,280,023</u>
-	-	-	-	-	3,252	27,625	30,877	30,877
-	-	-	-	-	999,103	-	999,103	999,103
-	-	-	-	-	<u>1,002,355</u>	<u>27,625</u>	<u>1,029,980</u>	<u>1,029,980</u>
<u>\$ 152,412</u>	<u>\$ 20,698</u>	<u>\$ 5,316</u>	<u>\$ 19,671</u>	<u>\$ 254,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,250,043</u>

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	Pension and Other Employee Benefit Trust Funds				Private Purpose Trust Funds	
	Police <u>Pension</u>	Municipal <u>Pension</u>	Police Life <u>Insurance</u>	<u>Total</u>	D.A.R.E	Cheston <u>Trust</u>
Additions						
Contributions						
Member contributions	\$ 190,920	\$ 54,648	\$ -	\$ 245,568	\$ -	\$ -
Employer contributions	495,697	275,044	-	770,741	-	-
State contributions	302,825	385,413	-	688,238	-	-
Other contributions/additions	<u>74,817</u>	<u>-</u>	<u>-</u>	<u>74,817</u>	<u>350</u>	<u>2,000</u>
Total Contributions	<u>1,064,259</u>	<u>715,105</u>	<u>-</u>	<u>1,779,364</u>	<u>350</u>	<u>2,000</u>
Investment Earnings						
Net appreciation (depreciation) in fair value of investments	2,650,631	1,219,230	-	3,869,861	-	-
Investment income	<u>481,580</u>	<u>223,680</u>	<u>-</u>	<u>705,260</u>	<u>16</u>	<u>830</u>
Total Investment Earnings	<u>3,132,211</u>	<u>1,442,910</u>	<u>-</u>	<u>4,575,121</u>	<u>16</u>	<u>830</u>
Less investment expense	<u>80,883</u>	<u>37,679</u>	<u>-</u>	<u>118,562</u>	<u>-</u>	<u>-</u>
Net Investment Income	<u>3,051,328</u>	<u>1,405,231</u>	<u>-</u>	<u>4,456,559</u>	<u>16</u>	<u>830</u>
Total Additions	<u>4,115,587</u>	<u>2,120,336</u>	<u>-</u>	<u>6,235,923</u>	<u>366</u>	<u>2,830</u>
Deductions						
Benefits	1,943,686	481,563	-	2,425,249	-	-
Miscellaneous expense	<u>16,430</u>	<u>15,935</u>	<u>-</u>	<u>32,365</u>	<u>58</u>	<u>-</u>
Total Deductions	<u>1,960,116</u>	<u>497,498</u>	<u>-</u>	<u>2,457,614</u>	<u>58</u>	<u>-</u>
Change in Net Position	2,155,471	1,622,838	-	3,778,309	308	2,830
Net Position - Restricted for pension benefits and other purposes						
Beginning of Year	<u>20,823,260</u>	<u>9,325,328</u>	<u>68,591</u>	<u>30,217,179</u>	<u>2,257</u>	<u>51,063</u>
End of Year	<u>\$ 22,978,731</u>	<u>\$ 10,948,166</u>	<u>\$ 68,591</u>	<u>\$ 33,995,488</u>	<u>\$ 2,565</u>	<u>\$ 53,893</u>

Private Purpose Trust Funds					Total
Dannenberg Trust	Bauman Trust	Kayser Scholarship	North Hills	Total	Fiduciary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,568
-	-	-	-	-	770,741
-	-	-	-	-	688,238
-	-	-	-	2,350	77,167
-	-	-	-	2,350	1,781,714
-	-	-	-	-	3,869,861
1,625	325	90	330	3,216	708,476
1,625	325	90	330	3,216	4,578,337
-	-	-	-	-	118,562
1,625	325	90	330	3,216	4,459,775
1,625	325	90	330	5,566	6,241,489
-	-	-	-	-	2,425,249
-	-	300	1,000	1,358	33,723
-	-	300	1,000	1,358	2,458,972
1,625	325	(210)	(670)	4,208	3,782,517
150,787	20,373	5,526	20,341	250,347	30,467,526
<u>\$ 152,412</u>	<u>\$ 20,698</u>	<u>\$ 5,316</u>	<u>\$ 19,671</u>	<u>\$ 254,555</u>	<u>\$ 34,250,043</u>

The notes to the financial statement are an integral part of this statement.

UPPER DUBLIN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS

December 31, 2017

	<u>Balance</u> <u>January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2017</u>
<u>GENERAL ESCROWS</u>				
ASSETS				
Cash	\$ 845,195	\$ 855,871	\$ (698,711)	\$ 1,002,355
LIABILITIES				
Accounts payable	\$ 12,795	\$ 219,221	\$ (228,764)	\$ 3,252
Deposits payable	832,400	636,650	(469,947)	999,103
Total Liabilities	\$ 845,195	\$ 855,871	\$ (698,711)	\$ 1,002,355
 <u>EARNED INCOME TAXES</u>				
ASSETS				
Cash	\$ 46,681	\$ 17,005	\$ (36,061)	\$ 27,625
LIABILITIES				
Accounts payable	\$ 46,681	\$ 17,005	\$ (36,061)	\$ 27,625

The notes to the financial statement are an integral part of this statement.