

**UPPER MORELAND TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Upper Moreland Township, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Moreland Township, Montgomery County, Pennsylvania (the Township) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Moreland Township, Montgomery County, Pennsylvania, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

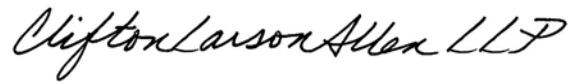
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in employer's net pension liability and related ratios, schedules of employer contributions, investment returns and employer's net pension liability, budgetary comparison information, and schedules of changes in the employer's net OPEB liability and related ratios on pages 4 through 15 and 59 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements and schedules on pages 67 to 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners
Upper Moreland Township, Pennsylvania

The combining nonmajor fund financial statement and schedules on pages 67 to 69 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
July 28, 2020

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The preparation of a summary statement entitled "Management's Discussion and Analysis" is a required element of the reporting model adopted by the Governmental Accounting Standards Board. Its purpose is to provide an overview of the financial activities of Upper Moreland Township based upon currently known facts, or conditions. As management of Upper Moreland Township, we offer readers of the Township's financial statements this narrative overview of financial activities for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

Entity-Wide Financial Statements (Full Accrual)

The assets and deferred outflows of resources of Upper Moreland Township exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$25.6 million (total net position). The net position balance represents a decrease of \$631.4 thousand for the current year.

Fund Financial Statements (Modified Accrual)

At December 31, 2019, the Township's governmental funds reported combined ending fund balances of \$8.7 million, a decrease of \$2.04 million in comparison with the prior year. Combined revenues increased to \$24.6 million, an increase of \$171 thousand in comparison with the prior year.

During the year, the general fund had total revenues of \$23.0 million generated from tax and other revenues, compared with total expenditures of \$23.1 million, resulting in a deficit before transfers of \$128 thousand.

Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds

The financial statements are prepared in conformity with generally accepted accounting principles (GAAP).

General fund expenditures came in \$820 thousand over the final budget, and revenues exceeded the final budget by \$1.6 million. Actual business and mercantile tax revenues in 2019 exceeded budget by \$641 thousand, actual 2019 charges for service exceeded budget by \$162 thousand, 2019 actual intergovernmental revenues exceeded budget by \$249 thousand and actual other revenue in 2019 exceeded budget by \$266 thousand.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 16. 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 Moreland Township as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. The reader can think of the Township's net position — the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources — as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, such as the 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 Statement of Net Position and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including administrative, licensing and permits, police and emergency services, public works, sanitation, culture and recreation, and debt service. Property taxes, franchise fees, business and mercantile taxes, licenses and permits, fines, and state and federal grants finance most of these activities.

- **Component Units, Governmental** – The Township includes two separate legal entities in its report — the Upper Moreland Free Public Library and the Willow Grove Volunteer Fire Company. Although legally separate, these "component units" are important because the Township is financially accountable for them.

Reporting the Township's Most Significant Funds

The fund financial statements begin on page 18 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. The Township's governmental funds use the following accounting approach.

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis accounting method. 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations on pages 19 and 21 behind the fund financial statements.

Fiduciary Funds – The Township is the trustee, or fiduciary, for its Police pension plan. It is responsible for the Plan's assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Police Pension Plan's activity is reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

The Statement of Net Position presents information on all of Upper Moreland Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Upper Moreland Township is improving or deteriorating.

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The following table reflects the condensed statement of Net Position:

**Table 1
Statement of Net Position**

	Governmental Activities		Component Units	
	2019	2018	2019	2018
ASSETS				
Current and Other Assets	\$ 10,017,607	\$ 12,338,996	\$ 206,109	\$ 247,564
Capital Assets	38,526,919	37,477,590	564,034	513,392
Total Assets	<u>48,544,526</u>	<u>49,816,586</u>	<u>770,143</u>	<u>760,956</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refunding	12,726	19,091	-	-
Deferred Outflows from Pension	2,846,067	5,225,921	-	-
Deferred Outflows from OPEB	577,425	416,312	-	-
Total Deferred Outflows of Resources	<u>3,436,218</u>	<u>5,661,324</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Noncurrent Liabilities	22,415,461	25,316,893	-	-
Other Liabilities	1,165,998	1,414,037	30,214	28,242
Total Liabilities	<u>23,581,459</u>	<u>26,730,930</u>	<u>30,214</u>	<u>28,242</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows from Pension	2,324,685	2,130,847	-	-
Deferred Inflows from OPEB	211,935	416,312	-	-
Total Deferred Inflows of Resources	<u>2,536,620</u>	<u>2,547,159</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	34,872,513	34,062,447	564,034	513,392
Restricted	1,294,759	1,420,517	27,129	25,306
Unrestricted	(10,598,819)	(9,283,143)	148,766	194,016
Total Net Position	<u>\$ 25,568,453</u>	<u>\$ 26,199,821</u>	<u>\$ 739,929</u>	<u>\$ 732,714</u>

The Township's combined net position, which is the Township's bottom line, decreased \$631 thousand from \$26.2 million at December 31, 2018.

The Net Position of the component units increased to \$739.9 thousand in 2019 from \$732.7 thousand in 2018. The Library's net position increased \$21.9 thousand while the Fire Company's net position decreased \$14.7 thousand in 2019.

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital Assets – which will reduce current assets and increase capital assets. There is a second impact, an increase in capital assets and an increase in related net debt, which will not change the net investment in capital assets.

Spending of Nonborrowed Current Assets on New Capital Assets – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and net investment in capital assets.

Current Year Impacts

The Statement of Activities on page 17 presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis of accounting. This accounting method records revenue and expenses as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The following chart shows the revenues and expenses of the governmental activities and component units:

**Table 2
Changes in Net Position**

	Primary Government		Component Units	
	Governmental Activities			
	2019	2018	2019	2018
REVENUES				
Program Revenues:				
Charges for Services	\$ 3,403,258	\$ 3,685,449	\$ 34,880	\$ 37,994
Operating Grants and Contributions	1,539,684	1,459,442	1,280,440	1,288,623
Capital Grants and Contributions	290,707	261,016	-	-
General Revenues:				
Property Taxes	8,470,105	8,193,688	-	-
Other Taxes	10,111,417	9,412,676	-	-
Investment Income	201,666	170,595	2,404	2,294
Miscellaneous/Other	534,645	939,831	-	-
Loss on Disposal of Assets	-	(17,558)	-	-
Total Revenues	<u>24,551,482</u>	<u>24,105,139</u>	<u>1,317,724</u>	<u>1,328,911</u>
EXPENSES				
Administrative	3,718,872	3,063,639	-	-
Police and Emergency Services	11,315,758	11,597,096	135,180	166,128
Highway and Roads	3,424,999	3,777,750	-	-
Sanitation	3,350,708	2,982,268	-	-
Culture and Recreation	3,366,078	3,236,721	1,175,329	1,142,980
Economic Development	6,435	-	-	-
Total Expenses	<u>25,182,850</u>	<u>24,657,474</u>	<u>1,310,509</u>	<u>1,309,108</u>
CHANGE IN NET POSITION	(631,368)	(552,335)	7,215	19,803
Net Position - Beginning of Year	<u>26,199,821</u>	<u>26,752,156</u>	<u>732,714</u>	<u>712,911</u>
NET POSITION - END OF YEAR	<u><u>\$ 25,568,453</u></u>	<u><u>\$ 26,199,821</u></u>	<u><u>\$ 739,929</u></u>	<u><u>\$ 732,714</u></u>

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Normal Impacts

There are eight basic impacts on revenues and expenses as reflected below:

Revenues

Economic Condition – which can reflect a declining, stable, or growing economic environment and has a substantial impact on property, business, mercantile, or other tax revenue, as well as public spending habits for building permits and elective user fees.

Increase/Decrease in Township-Approved Rates – while certain tax rates are set by statute, the Township Board of Commissioners has significant authority to impose and periodically increase/decrease rates (real estate tax millage, sewer fees, building fees, user fees, etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and nonrecurring) – certain recurring revenues (state-shared revenues) may experience significant changes periodically, while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income – the Township's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic conditions.

Expenses

Introduction of New Programs – within the functional expense categories (Public Safety, Public Works, Sanitation, etc.), individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – changes in service demand may cause the Township Board to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent a significant percentage of the Township's program expenses.

Salary Increases (annual adjustments and merit) – the ability to attract and retain human resources requires the Township to strive to approach a competitive salary range in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the Township is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Current Year Impacts

Governmental Activities

Sources of revenues for the fiscal year 2019 are comprised of the following items:

**Governmental Activities — Revenues by Source
For the Year Ended December 31, 2019**

	2019	Percentage of Total Revenues
REVENUES		
Program Revenues:		
Charges for Services	\$ 3,403,258	13.86 %
Operating Grants and Contributions	1,539,684	6.27
Capital Grants and Contributions	290,707	1.17
General Revenues:		
Property Taxes	8,470,105	34.50
Other Taxes	10,111,417	41.18
Investment Income	201,666	0.82
Miscellaneous/Other	534,645	2.18
Total Revenues	\$ 24,551,482	100.0 %

The greatest portion of revenue was generated from other taxes at \$10.1 million (41.2%), which included several large tax sources such as earned income tax at \$4.07 million and business privilege tax at \$6.04 million. The next largest source of revenue was property taxes at \$8.47 million (34.5%) and the charges for services at \$3.4 million (13.9%). Together, these three revenue sources approximate 89.6% of the Township's revenue base.

**Governmental Activities — Expenses by Function
For the Year Ended December 31, 2019**

	2019	Percentage of Total Expenses
EXPENSES		
Administrative	\$ 3,718,872	14.77 %
Police and Emergency Services	11,315,758	44.93
Highway and Roads	3,424,999	13.60
Sanitation	3,350,708	13.31
Culture and Recreation	3,366,078	13.37
Economic Development	6,435	0.03
Total Expenses	\$ 25,182,850	100.00 %

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The following schedule compares the total cost and net cost of services by functional category:

**Table 3
Governmental Activities**

	Expenses		Net (Expense) Revenue	
	2019	2018	2019	2018
GOVERNMENTAL ACTIVITIES				
Administrative	\$ 3,718,872	\$ 3,063,639	\$ (2,338,061)	\$ (1,728,261)
Police and Emergency Services	11,315,758	11,597,096	(10,545,364)	(10,374,668)
Highway and Roads	3,424,999	3,777,750	(2,255,420)	(2,773,948)
Sanitation	3,350,708	2,982,268	(2,053,340)	(1,676,284)
Culture and Recreation	3,366,078	3,236,721	(2,750,581)	(2,698,406)
Economic Development	6,435	-	(6,435)	-
Total Expenses	<u>\$ 25,182,850</u>	<u>\$ 24,657,474</u>	<u>\$ (19,949,201)</u>	<u>\$ (19,251,567)</u>

General Fund Budgetary Highlights

The government revises its budget as it attempts to deal with unexpected changes in revenues and expenses. General Fund actual expenditures were \$814 thousand over total budgeted expenditures. Revenues were \$1.62 million over budget. Revenues were greater than budget mainly due to an increase in business tax revenue from increased development in the Township. The expenditures were over budget due to an increase in legal fees and an increase in police personnel costs. The schedule on page 59 presents the Township's budget figures and actual figures maintained on the modified accrual basis of accounting.

Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the Township had \$38.5 million invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, bridges, and sewer lines. (See Table 4 on page 13).

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The following reconciliation summarizes the change in capital assets, which is presented in detail in the notes to the financial statements.

**Table 4
Change in Capital Assets — Governmental Activities**

	Beginning Balance	Additions	Reclasses Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,425,289	\$ 80,897	\$ -	\$ 4,506,186
Construction in Process	1,078,704	727,553	(984,424)	821,833
Total Capital Assets, Not Being Depreciated	5,503,993	808,450	(984,424)	5,328,019
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,227,837	9,410	-	4,237,247
Machinery, Vehicles, and Equipment	10,084,581	2,035,674	-	12,120,255
Infrastructure	49,136,036	605,278	-	49,741,314
Total Capital Assets Being Depreciated	63,448,454	2,650,362	-	66,098,816
Less Accumulated Depreciation for:				
Buildings and Improvements	2,311,828	115,455	-	2,427,283
Machinery, Vehicles, and Equipment	7,328,167	338,725	-	7,666,892
Infrastructure	21,834,862	970,879	-	22,805,741
Total Accumulated Depreciation	31,474,857	1,425,059	-	32,899,916
Total Capital Assets, Being Depreciated, Net	31,973,597	1,225,303	-	33,198,900
Governmental-Type Activities Capital Assets, Net	<u>\$ 37,477,590</u>	<u>\$ 2,033,753</u>	<u>\$ (984,424)</u>	<u>\$ 38,526,919</u>

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

**Table 5
Change in Capital Assets
Upper Moreland Free Public Library**

	Beginning Balance	Additions	Reclasses / Disposals	Ending Balance
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 719,998	\$ 64,515	\$ (57,210)	\$ 727,303
Collection	1,501,266	87,576	(1,772)	1,587,070
Total Capital Assets Being Depreciated	<u>2,221,264</u>	<u>152,091</u>	<u>(58,982)</u>	<u>2,314,373</u>
Less Accumulated Depreciation For:				
Furniture and Equipment	659,040	21,263	(57,210)	623,093
Collection	1,048,832	79,956	(1,542)	1,127,246
Total Accumulated Depreciation	<u>1,707,872</u>	<u>101,219</u>	<u>(58,752)</u>	<u>1,750,339</u>
 Total Capital Assets Being Depreciated, Net	 <u>\$ 513,392</u>	 <u>\$ 50,872</u>	 <u>\$ (230)</u>	 <u>\$ 564,034</u>

Long-Term Liabilities

At year-end, the Township had \$5.20 million in notes outstanding versus \$5.80 million last year.

**Table 6
Outstanding Long-Term Liabilities at Year-End**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes Payable	\$ 5,798,548	\$ -	\$ (604,748)	\$ 5,193,800	\$ 609,966
Discounts	(4,297)	-	1,433	(2,864)	-
Premiums	8,045	-	(2,682)	5,363	-
Total Notes Payable	<u>5,802,296</u>	<u>-</u>	<u>(605,997)</u>	<u>5,196,299</u>	<u>609,966</u>
Compensated Absences	<u>718,313</u>	<u>124,506</u>	<u>(53,953)</u>	<u>788,866</u>	<u>-</u>
 Governmental Activity Long-Term Liabilities	 <u>\$ 6,520,609</u>	 <u>\$ 124,506</u>	 <u>\$ (659,950)</u>	 <u>\$ 5,985,165</u>	 <u>\$ 609,966</u>

**UPPER MORELAND TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During 2020, it is expected that the real estate market will continue to improve which will result in increased transfer taxes and an increase in assessed valuation. Earned income and business taxes are expected to increase modestly. Real Estate millage will increase 3.8% in 2020. Overall, the economic outlook is positive.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Township, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Township is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director at Upper Moreland Township, 117 Park Avenue, Willow Grove, Pennsylvania 19090.

**UPPER MORELAND TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Governmental Activities	Component Units	
		Public Library	Fire Company
ASSETS			
Cash and Cash Equivalents	\$ 7,669,479	\$ 63,523	\$ 62,322
Investments	265,838	46,067	-
Accounts and Other Receivables	1,961,684	-	-
Restricted Assets - Cash and Deposits	-	34,197	-
Capital Assets Not Being Depreciated:			
Land	4,506,186	-	-
Construction in Progress	821,833	-	-
Other Capital Assets (Net of Accumulated Depreciation)	33,198,900	564,034	-
Other Assets	120,606	-	-
Total Assets	<u>48,544,526</u>	<u>707,821</u>	<u>62,322</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding	12,726	-	-
Deferred Outflows from Pension	2,846,067	-	-
Deferred Outflows from OPEB	577,425	-	-
Total Deferred Outflows of Resources	<u>3,436,218</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	501,827	30,214	-
Accrued Interest Payable	6,814	-	-
Unearned Revenue	47,391	-	-
Noncurrent Liabilities:			
Due within One Year	609,966	-	-
Due after One Year	5,375,199	-	-
Net Pension Liability	10,633,923	-	-
Net OPEB Liability - Due within One Year	294,212	-	-
Net OPEB Liability	6,406,339	-	-
Total Liabilities	<u>23,875,671</u>	<u>30,214</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows from Pension	2,324,685	-	-
Deferred Inflows from OPEB	211,935	-	-
Total Deferred Outflows of Resources	<u>2,536,620</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	34,872,513	564,034	-
Restricted for:			
Public Safety	20,443	-	-
Public Works	1,064,170	-	-
Open Space	183,629	-	-
Debt Service	26,517	-	-
Culture and Recreation	-	27,129	-
Unrestricted	(10,598,819)	86,444	62,322
Total Net Position	<u>\$ 25,568,453</u>	<u>\$ 677,607</u>	<u>\$ 62,322</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units	
						Library	Fire Company
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 3,598,180	\$ 638,339	\$ 742,472	\$ -	\$ (2,217,369)	\$ -	\$ -
Public Safety	11,315,758	712,659	57,735	-	(10,545,364)	-	-
Sanitation	3,350,708	1,297,368	-	-	(2,053,340)	-	-
Highway and Roads	3,424,999	139,395	739,477	290,707	(2,255,420)	-	-
Culture and Recreation	3,366,078	615,497	-	-	(2,750,581)	-	-
Economic Development	6,435	-	-	-	(6,435)	-	-
Interest	120,692	-	-	-	(120,692)	-	-
Total Primary Government	<u>\$ 25,182,850</u>	<u>\$ 3,403,258</u>	<u>\$ 1,539,684</u>	<u>\$ 290,707</u>	(19,949,201)	-	-
COMPONENT UNITS							
Public Library	\$ 1,175,329	\$ 22,630	\$ 1,172,213	\$ -	-	19,514	-
Fire Company	135,180	12,250	108,227	-	-	-	(14,703)
Total Component Units	<u>\$ 1,310,509</u>	<u>\$ 34,880</u>	<u>\$ 1,280,440</u>	<u>\$ -</u>	-	19,514	(14,703)
			GENERAL REVENUES				
			Taxes:				
			Real Estate		7,783,968	-	-
			Transfer		686,137	-	-
			Earned Income and Occupational Business and Mercantile		4,067,068	-	-
			Investment Earnings		6,044,349	-	-
			Miscellaneous		201,666	2,404	-
			Total General Revenues		534,645	-	-
					<u>19,317,833</u>	<u>2,404</u>	<u>-</u>
			Change in Net Position		(631,368)	21,918	(14,703)
			Net Position - Beginning of Year		26,199,821	655,689	77,025
			Net Position - End of Year		<u>\$ 25,568,453</u>	<u>\$ 677,607</u>	<u>\$ 62,322</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP
BALANCE SHEET — GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Major Fund General	Major Fund Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 6,378,887	\$ 819,301	\$ 471,291	\$ 7,669,479
Investments	265,838	-	-	265,838
Receivables	1,944,207	-	17,477	1,961,684
Due from Other Funds	109,435	-	-	109,435
Prepaid Expense	120,606	-	-	120,606
	<u>8,818,973</u>	<u>819,301</u>	<u>488,768</u>	<u>10,127,042</u>
Total Assets	<u>\$ 8,818,973</u>	<u>\$ 819,301</u>	<u>\$ 488,768</u>	<u>\$ 10,127,042</u>
LIABILITIES				
Accounts Payable and Accrued Wages	\$ 488,829	\$ -	\$ 12,998	\$ 501,827
Due to Other Funds	-	109,435	-	109,435
Unearned Revenues	47,391	-	-	47,391
	<u>536,220</u>	<u>109,435</u>	<u>12,998</u>	<u>658,653</u>
Total Liabilities	<u>536,220</u>	<u>109,435</u>	<u>12,998</u>	<u>658,653</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	782,643	-	15,873	798,516
FUND BALANCES				
Nonspendable:				
Prepaid Expense	120,606	-	-	120,606
Restricted for:				
Public Safety	20,443	-	-	20,443
Public Works	898,059	-	166,111	1,064,170
Open Space	183,629	-	-	183,629
Capital Projects	-	709,866	-	709,866
Debt Service	-	-	33,331	33,331
Assigned:				
Capital Additions	-	-	260,455	260,455
Unassigned	6,277,373	-	-	6,277,373
	<u>7,500,110</u>	<u>709,866</u>	<u>459,897</u>	<u>8,669,873</u>
Total Fund Balances	<u>7,500,110</u>	<u>709,866</u>	<u>459,897</u>	<u>8,669,873</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,818,973</u>	<u>\$ 819,301</u>	<u>\$ 488,768</u>	<u>\$ 10,127,042</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Total Fund Balances - Total Governmental Funds (page 18) \$ 8,669,873

Amounts reported for governmental activities in the statement of net position (page 16) are different because:

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

Cost of Capital Assets	\$ 71,426,835	
Accumulated Depreciation	<u>(32,899,916)</u>	38,526,919

Deferred outflows and deferred inflows in the statement of net position that do not provide or use current financial resources are not reported in the governmental funds.

Deferred Outflows from Pension	2,846,067	
Deferred Outflows from OPEB	577,425	
Deferred Inflows from Pension	(2,324,685)	
Deferred Inflows from OPEB	<u>(211,935)</u>	886,872

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

Deferred Inflow - Unavailable Taxes		798,516
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Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. This amount is the net effect of the treatment of long-term debt and related items.

Deferred Loss on Refunding	<u>12,726</u>	12,726
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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	(5,196,299)	
Accrued Interest Payable	(6,814)	
Net Pension Liability	(10,633,923)	
Net OPEB Liability	(6,700,551)	
Compensated Absences	<u>(788,866)</u>	<u>(23,326,453)</u>

Net Position of Governmental Activities (page 16) \$ 25,568,453

**UPPER MORELAND TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Major Fund General	Major Fund Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Real Estate	\$ 7,087,835	\$ -	\$ 684,468	\$ 7,772,303
Transfer	686,137	-	-	686,137
Earned Income and Occupational	4,107,650	-	-	4,107,650
Business and Mercantile	6,044,349	-	-	6,044,349
Fees, Licenses, and Permits	598,346	-	-	598,346
Investment Income and Rent	139,031	45,129	17,506	201,666
Intergovernmental Revenues	1,073,172	-	821,355	1,894,527
Fines and Forfeitures	199,240	-	-	199,240
Charges for Services	2,541,534	-	-	2,541,534
Other	534,645	-	-	534,645
Total Revenues	<u>23,011,939</u>	<u>45,129</u>	<u>1,523,329</u>	<u>24,580,397</u>
EXPENDITURES				
Current:				
General Government	2,405,398	151,534	17,230	2,574,162
Public Safety	7,208,471	-	-	7,208,471
Sanitation	1,571,642	1,014,844	-	2,586,486
Highways and Roads	2,106,485	-	1,048,459	3,154,944
Culture and Recreation	2,527,315	522,076	-	3,049,391
Economic Development	6,435	-	-	6,435
Miscellaneous:				
Employee Benefits	5,769,994	-	-	5,769,994
Insurance	720,937	-	-	720,937
Other	822,923	-	-	822,923
Debt Service:				
Principal	-	-	604,748	604,748
Interest	-	-	124,071	124,071
Fiscal Agent Fees	-	-	431	431
Total Expenditures	<u>23,139,600</u>	<u>1,688,454</u>	<u>1,794,939</u>	<u>26,622,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(127,661)	(1,643,325)	(271,610)	(2,042,596)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	150,000	150,000
Transfers Out	(150,000)	-	-	(150,000)
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(277,661)	(1,643,325)	(121,610)	(2,042,596)
Total Fund Balance - Beginning of Year	<u>7,777,771</u>	<u>2,353,191</u>	<u>581,507</u>	<u>10,712,469</u>
TOTAL FUND BALANCE - END OF YEAR	<u>\$ 7,500,110</u>	<u>\$ 709,866</u>	<u>\$ 459,897</u>	<u>\$ 8,669,873</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net Change in Fund Balances - Total Governmental Funds (page 20)		\$ (2,042,596)
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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	\$ 2,474,388		
Depreciation Expense	<u>(1,425,059)</u>		1,049,329

Certain revenues in the governmental funds have been previously reported in the statement of activities.		(28,917)
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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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of Notes	604,748		
Note Discount Amortization	(1,433)		
Note Premium Amortization	2,682		
Loss on Refunding Amortization	(6,365)		
Accrued Interest Expense	<u>3,379</u>		603,011

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:

Pension Expense	182,354		
Compensated Absences	(70,553)		
Postemployment Benefits	<u>(323,996)</u>		<u>(212,195)</u>

Change in Net Position of Governmental Activities (page 17)		<u>\$ (631,368)</u>
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**UPPER MORELAND TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Police Pension Trust Fund</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 589,761	\$ 588,119	\$ 1,177,880
Accrued Interest	768	-	768
Investments, at Fair Value:			
Mutual Funds	<u>28,336,996</u>	<u>-</u>	<u>28,336,996</u>
Total Current Assets	<u>28,927,525</u>	<u>588,119</u>	<u>29,515,644</u>
LIABILITIES			
CURRENT LIABILITIES			
Escrows Payable	<u>-</u>	<u>588,119</u>	<u>588,119</u>
Total Current Liabilities	<u>-</u>	<u>588,119</u>	<u>588,119</u>
NET POSITION			
Net Position Restricted for Pension Benefits	<u><u>\$ 28,927,525</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,927,525</u></u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	<u>Police Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,029,927
Employee	<u>237,633</u>
Total Contributions	2,267,560
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	4,547,612
Dividends and Interest	585,037
Less: Investment Expenses	<u>(101,647)</u>
Investment Earnings, Net	5,031,002
Other Receipts	<u>1,243,264</u>
Total Additions	8,541,826
DEDUCTIONS	
Other	1,386,422
Benefits	<u>1,865,029</u>
Total Deductions	<u>3,251,451</u>
NET INCREASE	5,290,375
Net Position Restricted for Pension Benefits:	
Beginning of Year	<u>23,637,150</u>
END OF YEAR	<u><u>\$ 28,927,525</u></u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Upper Moreland Township is a municipal government existing and operating under the First Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the government and certain component units, entities for which the government is considered to be financially accountable. 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. Based upon the application of these criteria, the following is an analysis of the potential component units addressed in defining the Township's reporting entity.

Discretely Presented Component Units

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

Willow Grove Volunteer Fire Company

Upper Moreland Free Public Library

Complete financial statements for the individual component units may be obtained at the entity's administrative offices as follows: Willow Grove Volunteer Fire Company, 227 Davisville Road, Willow Grove, Pennsylvania 19090; Upper Moreland Free Public Library, 109 Park Avenue, Willow Grove, Pennsylvania 19090.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, if any, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are 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 and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

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 is the 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 MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The government reports the following major governmental fund:

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 *Bond Fund* accounts for the proceeds from the 2008 general obligation bond to be used for specific capital projects.

The government reports the following nonmajor governmental funds:

The *Debt Service Fund* accounts for principal and interest debt payments.

The *Capital Reserve Fund* accounts for the financial resources to be used for acquisition, construction, or improvement of major capital facilities for general government purposes.

The *Highway Aid Fund* accounts revenues from the distribution of a portion of the state gasoline tax, which are used to fund allowable highway-related expenditures.

Additionally, the government reports the following fiduciary fund types:

The *Pension Trust Fund* accounts for the activities of the Police Pension plan, which accumulates resources for pension benefit payments to qualified employees.

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

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. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity

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. The Township considers all Pennsylvania Local Government Investment Trust (PLGIT) accounts to be cash equivalents, regardless of maturity.

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 bank both within and outside the Commonwealth of Pennsylvania provided such amounts are insured by the Federal Deposit Insurance Corporation 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 account 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 MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity
(Continued)**

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2019, all trade receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

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.

The Township employs an elected tax collector to collect the property tax levied. The tax collector remits Township taxes at least monthly and is paid a salary.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value in three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities.

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity
(Continued)**

Fair Value (Continued)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for assets or liabilities categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Township does not have any investments measured at net asset value (NAV).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (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 acquisition 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. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Discretely Presented Component Unit — The Upper Moreland Free Public Library defines assets with initial, individual cost of more than \$500 and an estimated useful life exceeding one year. Such assets are recorded at historical cost if purchased or estimated historical cost if contributed. All items included in the Library collection (books and audio-visual materials) are capitalized.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity (Continued)

Capital Assets (Continued)

Property, plant, and equipment of the primary government, as well as its component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	45
Roads and Bridges	75
Storm Sewers	100
Lighting	20
Trucks, Vehicles, and Heavy Equipment	5 to 25
Library Collection	5 to 10
Furniture and Equipment	5 to 10

Compensated Absences

The Township allows employees to carry over sick pay up until retirement. However, employees cannot collect accumulated sick pay at retirement. Vacation and police holiday pay can be carried over as well, and is compensated for at retirement. As such, a liability for compensated absences has been included in the government-wide financial statements for vacation and police holiday pay only.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources represent 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.

For the net pension liability and OPEB related items, the difference between expected and actual experiences, change of assumptions, the net difference between projected and actual earnings on pension plan investments, and contributions paid to the various plans subsequent to the plans' measurement date are all reported as either a deferred outflow or a deferred inflow of resources on the statement of net position and are amortized as a component of pension expense.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity
(Continued)**

Deferred Outflows/Inflows of Resources (Continued)

The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

The Township also reports a deferred outflow of resources for a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded debt or the new refunding debt.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are 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, if any, are currently expensed in the period incurred.

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.

Net Position

In the government-wide financial statements, net position is 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.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity
(Continued)**

Fund Balance

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.

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.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All appropriations lapse at 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. At year-end, the board passes a resolution to move underexpended funds to overexpended categories. The budgetary information in these financial statements includes these amendments.

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

Excess of Expenditures over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the categories of general government, public safety, highway and roads, culture and recreation, economic development, insurance, and other expenditures by \$1,116,220. These overexpenditures were funded by greater than anticipated revenues.

NOTE 3 DEPOSITS AND INVESTMENTS

Custodial Credit Risk — Deposits

The risk that in the event of a bank failure, the government's deposits may not be returned or the government will not be able to recover collateral securities in the possession of an outside party. The government does not have a policy for custodial credit risk. At year-end, the government's carrying amount of deposits was \$3,701,506 and the bank balance was \$3,835,348. Governmental funds and Fiduciary funds report carrying value of deposits of \$2,523,626 and \$1,177,880, respectively, as of December 31, 2019. Of the bank balance, \$250,000 was covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72, as amended, the depositories may meet this collateralization by pooling appropriate securities to cover all public funds.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk — Deposits (Continued)

The Township has several accounts with a carrying value totaling \$5,145,853 with PLGIT, a Rule 2a-7 like investment pool. These accounts are considered cash equivalents because of their short maturity dates and are excluded from the deposits figure above. All PLGIT accounts are in the PLGIT or PLGIT/ARM portfolios which may only purchase securities which are permitted under Pennsylvania law for boroughs, towns, townships, counties, cities, school districts, and authorities of the Commonwealth of Pennsylvania.

Investments

At year-end, the investments balances were as follows:

	Level	Maturity Dates	Fair Value
GOVERNMENTAL FUNDS			
Certificates of Deposits	N/A	2020	\$ 265,838
Total Government Funds			\$ 265,838
FIDUCIARY FUNDS - Police Pension Trust			
Mutual Funds - Domestic Equity	1	--	\$ 15,433,531
Mutual Funds - International Equity	1	--	6,840,494
Mutual Funds - Fixed Income	1	--	5,838,130
Mutual Funds - Balanced	1	--	225,449
Total Fiduciary Funds			\$ 28,337,604

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. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note 1.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The government's investment policy includes a balancing provision to address this type of risk.

Credit Risk. This is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note 1.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments that exceeded 5% of the total investments reported in the governmental or fiduciary funds that would be considered a concentration of credit risk.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Discretely Presented Component Units

Component Unit — Library

At year-end, the carrying amount of deposits for the discretely presented component unit was \$95,649 and the bank balance was \$111,943. Restricted assets includes cash deposits totaling \$34,197. The Library also held two certificates of deposit totaling \$46,067. Of the bank balances, all were covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name. The Library does not have a policy for custodial credit risk.

The Library is required as a reimbursable employer to maintain a collateral deposit in the Pennsylvania Unemployment Compensation Fund with the Pennsylvania Department of Labor. As of December 31, 2019, there were restricted assets of \$1,930 held in the collateral deposit.

Component Unit — Fire Company

At year-end, the carrying amount of deposits for the discretely presented component unit was \$62,322 and the bank balance was \$62,322. Of the bank balance, all was covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the government's name. The Fire Company does not have a policy for custodial credit risk.

NOTE 4 RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows

	<u>General</u>	<u>Nonmajor and Agency</u>	<u>Total</u>
Receivables:			
Taxes	\$ 1,599,987	\$ 17,477	\$ 1,617,464
Accounts	344,220	-	344,220
Total Receivables	<u>\$ 1,944,207</u>	<u>\$ 17,477</u>	<u>\$ 1,961,684</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,425,289	\$ 80,897	\$ -	\$ 4,506,186
Construction in Process	1,078,704	727,553	(984,424)	821,833
Total Capital Assets, Not Being Depreciated	5,503,993	808,450	(984,424)	5,328,019
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,227,837	9,410	-	4,237,247
Machinery, Vehicles, and Equipment	10,084,581	2,035,674	-	12,120,255
Infrastructure	49,136,036	605,278	-	49,741,314
Total Capital Assets, Being Depreciated	63,448,454	2,650,362	-	66,098,816
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,311,828	115,455	-	2,427,283
Machinery, Vehicles, and Equipment	7,328,167	338,725	-	7,666,892
Infrastructure	21,834,862	970,879	-	22,805,741
Total Accumulated Depreciation	31,474,857	1,425,059	-	32,899,916
Total Capital Assets, Being Depreciated, Net	31,973,597	1,225,303	-	33,198,900
Governmental-Type Activities Capital Assets, Net	<u>\$ 37,477,590</u>	<u>\$ 2,033,753</u>	<u>\$ (984,424)</u>	<u>\$ 38,526,919</u>

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

Depreciation Expense:	
Governmental Activities:	
General Government	\$ 43,368
Public Safety	311,145
Highway and Roads	770,872
Sanitation	32,873
Culture and Recreation	266,801
Total	<u>\$ 1,425,059</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units

Upper Moreland Free Public Library for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclasses / Disposals</u>	<u>Ending Balance</u>
Capital Assets, Being				
Depreciated:				
Furniture and Equipment	\$ 719,998	\$ 64,515	\$ (1,772)	\$ 782,741
Collection	<u>1,501,266</u>	<u>87,576</u>	<u>(57,210)</u>	<u>1,531,632</u>
Total Capital Assets Being Depreciated	2,221,264	152,091	(58,982)	2,314,373
Less: Accumulated				
Depreciation for:				
Furniture and Equipment	659,040	21,263	(1,542)	678,761
Collection	<u>1,048,832</u>	<u>79,956</u>	<u>(57,210)</u>	<u>1,071,578</u>
Total Accumulated Depreciation	<u>1,707,872</u>	<u>101,219</u>	<u>(58,752)</u>	<u>1,750,339</u>
 Total Capital Assets, Being Depreciated, Net	 <u>\$ 513,392</u>	 <u>\$ 50,872</u>	 <u>\$ (230)</u>	 <u>\$ 564,034</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Bond Fund	\$ 109,435
Total		<u>\$ 109,435</u>

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

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 150,000	\$ -
Capital Reserve Fund	-	150,000
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 LONG-TERM DEBT

General Obligation Bonds and 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 governmental activities. In 2007, the Township issued a general obligation note of \$150,000 for financing a fire truck. In 2012, the Township issued a general obligation note of \$5,210,000 for financing a capital improvement program. In 2017, the Township issued another general obligation note of \$4,000,000 for financing a capital improvement program.

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

During 2015, the Township Commissioners enacted Ordinance Number 1660 which authorized the issuance of a 2015 Series promissory note between the Township and Montgomery County in the maximum amount of \$214,600 for the purchase of public safety radio equipment. The note is payable in equal annual principal installments beginning in June 2016 through June 2020.

General obligations currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0.0% to 2.35%	\$ 5,193,800

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 609,966	\$ 114,961
2021	611,269	105,002
2022	628,564	93,219
2023	635,000	78,584
2024	652,000	63,662
2025 and Thereafter	2,057,001	97,572
Total	<u>\$ 5,193,800</u>	<u>\$ 553,000</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable:					
2007 GO Note	\$ 42,708	\$ -	\$ (10,828)	\$ 31,880	\$ 11,046
2012 GO Note	1,670,000	-	(550,000)	1,120,000	555,000
2015 GO Note	85,840	-	(42,920)	42,920	42,920
2017 GO Note	4,000,000	-	(1,000)	3,999,000	1,000
Discount for Issuance - Unamortized	(4,297)	-	1,433	(2,864)	-
Premium for Issuance - Unamortized	8,045	-	(2,682)	5,363	-
Total Notes Payable	<u>5,802,296</u>	<u>-</u>	<u>(605,997)</u>	<u>5,196,299</u>	<u>609,966</u>
Compensated Absences	<u>718,313</u>	<u>124,506</u>	<u>(53,953)</u>	<u>788,866</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 6,520,609</u>	<u>\$ 124,506</u>	<u>\$ (659,950)</u>	<u>\$ 5,985,165</u>	<u>\$ 609,966</u>

See Notes 11 and 13, respectively, for information regarding the Township's long-term Pension and OPEB liabilities.

NOTE 8 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 Property and Liability Trust (DVPLT), a risk retention pool. The insurance expense for the year ended December 31, 2019 was \$229,172. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2019, there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$50,325.

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, 2019 was \$542,683. The Trust declared a dividend in 2019. Upper Moreland Township's share of the dividend distribution was \$25,994. At December 31, 2019, there were no additional assessments due or anticipated. An audit of the reported 2019 payroll was performed during the first quarter of 2020. As a result of the 2018 Payroll Audit, the Township received an additional \$1,724.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 CONTINGENT LIABILITIES

In the normal course of business there are various claims and suits pending against the Township. In the opinion of management and counsel, the amount of such losses that might result from these claims and suits, if any, would not materially affect the financial condition of the Township.

The use of grant monies is subject to compliance audits by governmental agencies. Management of the Township believes the Township is in compliance with substantially all of the significant requirements of such grants.

NOTE 10 PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The Township sponsors three defined benefit pension plans for its employees, the Police Pension Plan, the Non-Uniform Pennsylvania Municipal Retirement System (PMRS) Plan, and the Municipal Firefighters PMRS Plan. Additional required disclosures regarding these plans are presented in Notes 12 and 13.

The Township has adopted GASB Statement No. 68, *Accounting for Pension by State and Local Governmental Employers*. Statement No. 68 requires the Township to report its defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources.

For the year ended December 31, 2019, the Township recognized aggregate pension expense of \$2,715,758 and net pension liabilities of \$10,633,923. The Police Pension Plan net pension liability was measured as of December 31, 2019. The Non-Uniform and Municipal Firefighters Pennsylvania Municipal Retirement System (PMRS) Plans' (defined benefit plans) net pension liability was measured as of December 31, 2018.

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to its pension plans from the following sources:

	Police Pension Plan	Non-Uniform PMRS Plan	Municipal Firefighters PMRS Plan	Total
Net Pension Liabilities	\$ 6,751,161	\$ 4,026,397	\$ (143,635)	\$ 10,633,923
Deferred Outflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings	-	252,174	104,410	356,584
Difference Between Expected and Actual Experience	409,980	345,477	-	755,457
Changes in Assumptions	429,777	400,178	36,026	865,981
Contributions Subsequent to the Measurement Date	-	788,954	79,091	868,045
Total Deferred Outflows of Resources	<u>839,757</u>	<u>1,786,783</u>	<u>219,527</u>	<u>2,846,067</u>
Deferred Inflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings	1,049,084	-	217,607	1,266,691
Difference Between Expected and Actual Experience	972,326	22,522	-	994,848
Changes in Assumptions	-	-	63,146	63,146
Total Deferred Inflows of Resources	<u>2,021,410</u>	<u>22,522</u>	<u>280,753</u>	<u>2,324,685</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$868,045 will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amortization			Total
	Police Pension Plan	Non-Uniform PMRS Plan	Municipal Firefighters PMRS Plan	
2020	\$ (162,257)	\$ 387,123	\$ (55,623)	\$ 169,243
2021	(216,028)	154,452	(73,106)	(134,682)
2022	187,133	(40,081)	(33,750)	113,302
2023	(808,216)	473,813	22,162	(312,241)
2024	(182,285)	-	-	(182,285)
Total	<u>\$ (1,181,653)</u>	<u>\$ 975,307</u>	<u>\$ (140,317)</u>	<u>\$ (346,663)</u>

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN

Plan Description

The Township sponsors a defined benefit pension plan, the Police Pension Plan. The Plan is a single employer plan that provides retirement, disability, and death benefits to plan members and their beneficiaries. Plan provisions are established by Township Ordinance with the authority for Township contributions required by Pennsylvania Act 205 (the Act).

The Pension Fund provides retirement benefits as well as death and disability benefits to full-time sworn police employees working at least 40 hours per week. All full-time members of the police force join the Plan at their date of hire. 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 a monthly retirement benefit, payable for life, in an amount equal to 50% of their average eligible monthly compensation received during the last 36 months of employment plus a service increment of \$100 per month for the completion of the 26th year of service. For officers hired on or after July 1, 2003, eligible compensation excludes lump-sum payments for unused leave time and holiday time which was earned prior to the final 36 months of employment. A disability pension is available to participants disabled in the line of duty. The disability pension is equal to 100% of the final average compensation offset by social security and workers compensation benefits. Upon attaining age 65, benefits shall be adjusted to 50% of the final average compensation. The Plan also provides certain death benefits to the surviving spouse and/or dependents. The amount of this benefit is equal to 65% of the amount payable to the participant.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)

Plan Description (Continued)

Covered employees are required to contribute up to a maximum of 5.0% of their salary to the Pension Fund. This contribution is governed by the Plan's ordinances and collective bargaining. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

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

The following table provides information concerning types of covered employees and benefit provisions for the Township's Police Pension Plan:

	Police
Covered Employees	All Regular Full-Time Sworn Police Officers
Number of Covered Active Employees	35
Number of Persons Receiving Benefits	
Retired Employees and Beneficiaries	43
Terminated Employees Vested but not Receiving Benefits	2
Current Annual Covered Payroll	\$4,720,550
Normal Retirement Date	After 50th Birthday and 25 Years of Service
Retirement Benefit	A monthly Benefit Equal to 50% of the Final Monthly Average Salary Plus an Additional \$100 per month, if Retiring with 26 or more Years of Service
Deferred Retirement Option Plan (DROP)	Effective January 1, 2007, a member who is eligible for Normal Retirement may elect the DROP. Effective January 1, 2012, the maximum DROP period is increased from 36 to 48 months.
Early Retirement Date	None

The benefit provisions of the Township's Police Plan established by Township ordinances are in compliance with collective bargaining agreements.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)

Plan Description (Continued)

Summary of Significant Accounting Policies

Financial information on the Township's Police Pension Plan is presented on the accrual basis of accounting as a fiduciary fund of the Township. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when paid as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Plan investments are reported at fair value as reported by the investment managers.

Contributions and Funding Policy

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute a percentage of covered payroll (5% for Police). This contribution is governed by the Plan's governing ordinances and collective bargaining. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings. Actual contributions from employees for plan years ended December 31, 2019 and 2018 were \$237,633 and \$224,208, respectively.

Plan Administration

Assets of the Police Pension Plan are overseen by a Police Pension Investment Committee. The Police Pension Investment Committee is comprised of five voting members. Three voting members are at large members of Upper Moreland Township who are appointed by the Township's Board of Commissioners, one voting member is appointed by the police department as their representative and one voting member is an elected Commissioner. The Police Pension Committee meets quarterly to review investment results prepared by an investment consultant. The Committee has the authority to make investment decisions, including adding or eliminating investment managers.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)

Plan Description (Continued)

Investment Policy

The Police Pension Investment Committee is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price.

The following was the Plan's target asset allocation policy as of December 31, 2019:

Asset Class	Target
Domestic Equity	46.0 %
International Equity	24.0
Fixed Income	28.0
Real Estate	-
Cash Equivalents	2.0

Concentrations

At December 31, 2019, the Police Pension Plan had the following investments which exceeded 5% or more of the Plan Net Assets:

Issuer	Type of Investment	Amount	Percentage of Investments of Plan Net Assets
Vanguard Total Stock Market Fund	Equity Mutual Fund	\$ 11,582,053	41.20 %
Vanguard Total Int	Equity Mutual Fund	3,984,216	14.17
Johcm International Select Fund	Equity Mutual Fund	1,876,664	6.68
PGIM Total Return Bond-R6	Fixed Income Mutual Fund	1,843,991	6.56
Baird Core Bond Fund	Fixed Income Mutual Fund	1,837,179	6.54
Doubleline Core Fixed Income	Fixed Income Mutual Fund	1,711,938	6.09

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)

Plan Description (Continued)

Net Pension Liability

The net pension liability of the Police Plan for the measurement date of December 31, 2019, was as follows:

Total Pension Liability:	
Service Cost	\$ 766,931
Interest	2,752,650
Benefit Payments	(2,008,187)
Difference Between Actual and Expected, if any	<u>(1,093,710)</u>
Net Change in Total Pension Liability	417,684
Total Pension Liability - Beginning	<u>35,261,002</u>
Total Pension Liability - Ending (a)	35,678,686
Plan Fiduciary Net Position:	
Contribution - Employer	2,029,927
Contribution - Member	237,633
Net Investment Income (Loss)	5,031,002
Benefit Payments	<u>(2,008,187)</u>
Net Change in Plan Fiduciary Net Position	5,290,375
Plan Fiduciary Net Position - Beginning	<u>23,637,150</u>
Plan Fiduciary Net Position - Ending (b)	<u>28,927,525</u>
Net Pension Liability (a-b)	<u><u>\$ 6,751,161</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.08 %
Covered Payroll	\$ 4,720,550
Net Pension Liability as a Percentage of Covered Payroll	143.02 %

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)

Plan Description (Continued)

Net Pension Liability (Continued)

Method and assumptions used to determine Net Pension Liability were as follows:

	Police
Valuation Date	January 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	9 Years
Asset Valuation Method	Smoothed Value with a corridor of 80% to 120% of market value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases	5.5%
Inflation Rate Included	3.0%
Mortality Rate	IRS 2017 Static Combined Table for Small Plans.

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 rate of return for each major asset class are included in the pension plan's target asset allocation of December 31, 2019.

Asset Class	Percent of Fund at December 31, 2019	Estimated Long-Term Rates of Return
Domestic Equity	54.0 %	5.5 - 7.5 %
International Equity	24.0	4.5 - 6.5
Fixed Income	20.0	1.0 - 3.0
Real Estate	-	4.5 - 6.5
Cash	2.0	0.0 - 1.0

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)

Plan Description (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus Plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 8.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7.00%), or one-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$ 10,891,682	\$ 6,751,161	\$ 3,266,186

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for plan year 2019 was (22.60%). The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

NOTE 12 PMRS PENSION PLANS

The Township sponsors two defined benefit pension plans, the Non-Uniform Pension Plan and the Municipal Firefighters Pension Plan. The Plans provide retirement, disability, and death benefits to plan members and their beneficiaries. Plan provisions are established by Township Ordinance with the authority for Township contributions required by Pennsylvania Act 205 (the Act).

The Township provides pension benefits for nonuniform municipal and municipal firefighter employees through the Pennsylvania Municipal Retirement System (PMRS), a statewide local government system. PMRS is an agent multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of PMRS is vested in the 11-member Pennsylvania Municipal Retirement Board.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 PMRS PENSION PLANS (CONTINUED)

PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165.

All assets of the Plans are held in trusts and are the assets of PMRS and, therefore, will be excluded from the Township's financial statements. The assets of the Plans are managed by the board of PMRS and are placed in the custody of the Treasurer of the Commonwealth.

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's PMRS Plans:

	<u>Nonuniform Defined Benefit</u>	<u>Municipal Firefighter Defined Benefit</u>
Covered Employees	All Regular Employees, Excluding Sworn Police Officers and Paid Firefighters	Full-Time Paid Firefighters
Number of Covered Active Employees	65	5
Number of Persons Receiving Benefits		
Retired Employees and Beneficiaries	45	0
Terminated Employees Vested but not Receiving Benefits	7	1
Current Annual Covered Payroll	\$4,806,161	\$553,315
Normal Retirement Date	After 60th Birthday and 8 Years of Service	After 60th Birthday and 8 Years of Service
Retirement Benefit	Equal 2.5% Times Credited Service Times Final Average Salary (FAS) but in no Event is the Basic Benefit Greater than 50% of FAS	Monthly benefit for life equal to 2.5% Times the Final Average Salary (FAS) but in no Event is the Basic Benefit Greater than 60% of FAS
Early Retirement Date	Voluntary with 12 Years of Credited Service	Voluntary with 12 Years of Credited Service

The net pension liability of the PMRS Non-Uniform Defined Benefit plan as of the measurement date of December 31, 2018, was as follows:

Total Pension Liability	\$ 27,530,692
Plan Fiduciary Net Position	<u>23,504,295</u>
Net Pension Liability	<u>\$ 4,026,397</u>

The net pension liability of the PMRS Municipal Firefighters Defined Benefit plan as of the measurement date of December 31, 2018, was as follows:

Total Pension Liability	\$ 2,640,079
Plan Fiduciary Net Position	<u>2,783,714</u>
Net Pension Liability (Asset)	<u>\$ (143,635)</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 PMRS PENSION PLANS (CONTINUED)

Net Pension Liability

Method and assumptions used to determine Net Pension Liabilities for the PMRS Plans were as follows:

	<u>Nonuniform Defined Benefit</u>	<u>Municipal Firefighter Defined Benefit</u>
Valuation Date	January 1, 2019	January 1, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar	Level Dollar
Asset Valuation Method	Fair Market Value	Fair Market Value
Actuarial Assumptions		
Investment Rate of Return	5.25%	5.25%
Projected Salary Increases	Age related scale with merit and inflation component	Age related scale with merit and inflation component
Inflation Rate Included	3.0%	3.0%
Mortality Rate	Males: RP-2000 with 1 year set back Females: RP 2000 with 5 year set back	Males: RP-2000 with 1 year set back Females: RP 2000 with 5 year set back

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 rate of return for each major asset class are included in the pension plan's target asset allocation.

<u>Asset Class</u>	<u>Target Asset Allocation at December 31, 2018</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (large capitalized firms)	25.0 %	7.3 %	4.6 %
Domestic Equities (small capitalized firms)	15.0	10.0	7.3
International Equities (international developed markets)	15.0	6.2	3.5
International Equities (emerging markets)	10.0	10.6	8.3
Real Estate	20.0	8.5	5.4
Fixed Income	85.0	3.3	1.1
Total	<u>100.0 %</u>	<u>7.5 %</u>	<u>4.8 %</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 PMRS PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus Plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 5.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.25%), or one-percentage-point higher (6.25%) than the current rate:

	PMRS Non-Uniform Defined Benefit Pension Plan		
	1%	Current	1%
	Decrease	Discount	Increase
	(4.25%)	Rate (5.25%)	(6.25%)
Net Pension (Asset) Liability	\$ 7,284,358	\$ 4,026,397	\$ 1,227,282

	PMRS Municipal Firefighters Defined Benefit Pension Plan		
	1%	Current	1%
	Decrease	Discount	Increase
	(4.25%)	Rate (5.25%)	(6.25%)
Net Pension (Asset) Liability	\$ 158,550	\$ (143,635)	\$ (403,263)

Contributions and Funding Policy

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plans' biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees participating in the Defined Benefit Plans are required to contribute a percentage of covered payroll (3.5% for both the Non-Uniform and Firefighters defined benefit plans). This contribution is governed by the Plan's governing ordinances. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or plan earnings. Member contributions to the Non-Uniform and Firefighters were approximately \$168 thousand and \$19 thousand, respectively.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Township of Upper Moreland Other Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Township Commissioners. The Plan was established through contracts negotiated by Township Commissioners. The Plan provides postemployment healthcare benefits to eligible retirees of the primary government in accordance with, and may be amended by, the various labor contracts and personnel policies. At December 31, 2019, eight retired employees were eligible to receive medical benefits. The Plan did not issue a stand-alone report.

As of the valuation date January 1, 2019, there were 101 active participants, 0 terminated members entitled to, but not yet receiving benefits and 8 retired employees utilizing these benefits.

The Township has adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following provides information required to be disclosed under Statement 75:

Measurement of Total OPEB Liability

The measurement date for GASB 75 is January 1, 2019. The Total OPEB Liability (TOL) as of this date is based on an actuarial valuation as of January 1, 2019, with adjustments made for the 12-month difference. Total OPEB Liability information for the year ended December 31, 2019 is as follows:

	2019
Changes in Total OPEB Liability Year Ended December 31, 2019	
Total OPEB Liability	
Service Cost	\$ 398,459
Interest	211,831
Changes in Benefits	-
Difference Between Expected and Actual Experience	124,151
Changes in Assumptions	(235,483)
Benefit Payments, Including Refunds	<u>(225,782)</u>
Net Change in Total OPEB Liability	273,176
Total OPEB Liability - Beginning of Year	<u>6,427,375</u>
Total OPEB Liability - End of Year	<u><u>\$ 6,700,551</u></u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Measurement of Total OPEB Liability (Continued)

For the year ended December 31, 2019, the Township recognized aggregate OPEB expense of \$618,210. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to its OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments made subsequent to the measurement date	\$ 294,212	\$ -
Differences between expected and actual experience	111,736	-
Changes in actuarial assumptions	171,477	211,935
Total	<u>\$ 577,425</u>	<u>\$ 211,935</u>

Deferred outflows of resources of \$294,212 resulting from the Township's payment of benefits subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amortization</u>
2020	\$ 7,920
2021	7,920
2022	7,920
2023	7,920
2024	7,920
2025-2027	31,678
Total	<u>\$ 71,278</u>

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefit Description

The contribution requirements of Plan members and the Township Commissioners are established and may be amended by Township Commissioners, subject to applicable labor contracts. For Police Officers, Firefighters, and Non-Union Employees (who elect this option), eligible retirees may participate in employer's group medical plan for seven years as long as he or she reimburses the Township 50% of premium costs plus the 2% administration fee. After seven years, eligible retirees may participate as long as he or she reimburses the Township 100% of premium costs plus the 2% administration fee. For Public Works Association Employees, Public Works White Collar Association Employees and Non-Union Employees and Non-Union Employees (who elect this option), eligible retirees may participate in the employer's group medical plan for four years as long as he or she reimburses the Township 50% of premium costs plus the 2% administration fee. After four years, eligible retirees may participate as long as he or she reimburses the Township 100% of premium costs plus the 2% administration fee. Spouses and other dependents are covered under the Plan for all eligible retirees, if they were covered at the time of the eligible employee's retirement, unless they are eligible for health care coverage from another source. Spouses and other dependents will continue to be eligible for benefits after the death of a retiree.

The Township funds the plan for current retirees on a pay-as-you-go basis. There is currently no OPEB Trust nor is there a plan for the funding of future benefits. Projected pay-as-you-go financing requirements are established annually as part of the annual budget process.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 6.0% in 2018 and 5.5% in 2019 through 2021, with rates gradually decreasing from 5.4% in 2022 to 3.8% in 2075 and later.
- Average career salary growth of 5.5% per year.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the IRS 2017 Small Plan Combined Static Mortality Table.
- Participant data based on census information as of January 1, 2019.

The assumptions include a discount rate of 3.64%, an annual healthcare cost trend rate of 6.0%. The discount rate is based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2019.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the Township's total OPEB liability at December 31, 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Current Cost Trend Rate	1% Increase
	4.50%	5.50%	6.50%
2019	\$ 6,040,181	\$ 6,700,551	\$ 7,465,547

The following presents the Township's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rates.

	1% Decrease	Current Discount Rate	1% Increase
	2.64%	3.64%	4.64%
2019	\$ 7,200,879	\$ 6,700,551	\$ 6,236,842

NOTE 14 ESCROW CASH DEPOSITS

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 or others are recorded in the revenues or expenses of the Township. At December 31, 2019, \$588,119 represents the balance of these monies held in escrow.

NOTE 15 NEWLY ADOPTED STATEMENTS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 16 RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Township is required to adopt Statement No. 83 for its calendar 2020 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Criteria for identifying fiduciary activities are generally defined as (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also defines four fiduciary funds that should be reported. The Township is required to adopt Statement No. 84 for its calendar 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Township is required to adopt Statement No. 87 for its calendar 2021 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Township is required to adopt Statement No. 88 for its calendar 2020 financial statements.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 16 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The Township is required to adopt Statement No. 89 for its calendar 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The Township is required to adopt Statement No. 90 for its calendar 2020 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The Township is required to adopt Statement No. 91 for its calendar 2022 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2020. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Township is required to adopt Statement No. 92 for its calendar 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after June 15, 2020. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The Township is required to adopt Statement No. 93 for its calendar 2022 financial statements.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 16 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, which is effective for fiscal years beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The Township is required to adopt Statement No. 94 for its calendar 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements. The Township is required to adopt Statement No. 96 for its calendar 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation (DC) Plans*, which is effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain DC pension plans, DC OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The Township is required to adopt Statement No. 97 for its calendar 2022 financial statements.

The Township management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the Township's financial statements.

NOTE 17 ECONOMIC DEPENDENCY

The Township has the responsibility for funding deficits; and handles the fiscal management of tax levied on the Willow Grove Volunteer Fire Company's and the Upper Moreland Free Public Library's behalf. During 2019, the Library received approximately 85% (\$815,288) of its operating support from the Township. The value of donated occupancy was estimated at \$242,403, including \$54,225 contributed by the Township for services related to utilities, insurance, and other service costs to the Library as of December 31, 2019. During 2019, the Fire Company received approximately 30% (\$36,296) of its operating support from the Township.

**UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 18 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Township, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, loss of revenues from earned income taxes, reductions of state funding for non-essential programs, costs for emergency preparedness and shortages of personnel. Management believes the Township is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020, through July 28, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements of the Township's Police Pension Trust Fund as of and for the year ended December 31, 2019.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	General Fund			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes:				
Real Estate	\$ 7,204,430	\$ 7,204,430	\$ 7,087,835	\$ (116,595)
Transfer	450,000	450,000	686,137	236,137
Earned Income and Occupational	3,960,000	3,960,000	4,107,650	147,650
Business and Mercantile	5,403,000	5,403,000	6,044,349	641,349
Fees, Licenses, and Permits	623,850	623,850	598,346	(25,504)
Investment Income and Rent	110,000	110,000	139,031	29,031
Intergovernmental Revenues	824,209	824,209	1,073,172	248,963
Fines and Forfeitures	170,000	170,000	199,240	29,240
Charges for Services	2,380,000	2,380,000	2,541,534	161,534
Other	268,763	268,763	534,645	265,882
Total Revenues	<u>21,394,252</u>	<u>21,394,252</u>	<u>23,011,939</u>	<u>1,617,687</u>
EXPENDITURES				
Current:				
General Government	2,075,946	2,075,946	2,405,398	329,452
Public Safety	6,695,993	6,695,993	7,208,471	512,478
Sanitation	1,622,116	1,622,116	1,571,642	(50,474)
Highways and Roads	1,968,532	1,968,532	2,106,485	137,953
Culture and Recreation	2,406,101	2,406,101	2,527,315	121,214
Economic Development	-	-	6,435	6,435
Miscellaneous:				
Employee Benefits	6,015,092	6,015,092	5,769,994	(245,098)
Insurance	717,715	717,715	720,937	3,222
Other	817,457	817,457	822,923	5,466
Total Expenditures	<u>22,318,952</u>	<u>22,318,952</u>	<u>23,139,600</u>	<u>820,648</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(924,700)	(924,700)	(127,661)	797,039
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(150,000)	(150,000)	(150,000)	-
NET CHANGE IN FUND BALANCE	(1,074,700)	(1,074,700)	(277,661)	797,039
Fund Balance - Beginning of Year	<u>7,777,771</u>	<u>7,777,771</u>	<u>7,777,771</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,703,071</u></u>	<u><u>\$ 6,703,071</u></u>	<u><u>\$ 7,500,110</u></u>	<u><u>\$ 797,039</u></u>

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
POLICE PENSION PLAN — SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019**

	Measurement Year Ending 12/31/19	Measurement Year Ending 12/31/18	Measurement Year Ending 12/31/17	Measurement Year Ending 12/31/16	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability						
Service Cost	\$ 766,931	\$ 736,423	\$ 698,031	\$ 662,838	\$ 628,282	\$ 560,031
Interest	2,752,650	2,636,236	2,558,419	2,318,527	2,213,386	2,148,391
Benefit Payments	(2,008,187)	(1,759,995)	(1,687,813)	(1,903,006)	(1,568,713)	(1,804,975)
Difference Between Actual and Expected, if any	(1,093,710)	-	819,963	-	(213,161)	-
Assumption Changes	-	-	859,554	-	-	-
Net Change in Total Pension Liability	417,684	1,612,664	3,248,154	1,078,359	1,059,794	903,447
Total Pension Liability - Beginning	35,261,002	33,648,338	30,400,184	29,321,825	28,262,031	27,358,584
Total Pension Liability - Ending (a)	<u>\$ 35,678,686</u>	<u>\$ 35,261,002</u>	<u>\$ 33,648,338</u>	<u>\$ 30,400,184</u>	<u>\$ 29,321,825</u>	<u>\$ 28,262,031</u>
Plan Fiduciary Net Position						
Contribution - Employer and State Aid	\$ 2,029,927	\$ 1,651,206	\$ 1,620,023	\$ 1,590,940	\$ 1,601,121	\$ 1,231,728
Contribution - Member	237,633	224,208	212,840	200,481	190,037	177,730
Net Investment Income	5,031,002	(1,565,025)	3,579,723	1,339,312	(639,410)	698,505
Benefit Payments	(2,008,187)	(1,759,995)	(1,687,813)	(1,903,006)	(1,568,713)	(1,804,975)
Administrative Expense	-	(14,550)	(5,350)	(7,840)	(8,030)	(2,400)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	5,290,375	(1,464,156)	3,719,423	1,219,887	(424,995)	300,588
Plan Fiduciary Net Position - Beginning	23,637,150	25,101,306	21,381,883	20,161,996	20,586,991	20,286,403
Plan Fiduciary Net Position - Ending (b)	<u>\$ 28,927,525</u>	<u>\$ 23,637,150</u>	<u>\$ 25,101,306</u>	<u>\$ 21,381,883</u>	<u>\$ 20,161,996</u>	<u>\$ 20,586,991</u>
Net Pension Liability (a-b)	<u>\$ 6,751,161</u>	<u>\$ 11,623,852</u>	<u>\$ 8,547,032</u>	<u>\$ 9,018,301</u>	<u>\$ 9,159,829</u>	<u>\$ 7,675,040</u>
Fiduciary Net Position as a Percentage of Plan Total Pension Liability	81.08 %	67.03 %	74.60 %	70.33 %	68.76 %	72.84 %
Covered Payroll	\$ 4,720,550	\$ 4,390,592	\$ 4,089,093	\$ 3,829,463	\$ 3,714,833	\$ 3,481,071
Net Pension Liability as a Percentage of Covered Payroll	143.02 %	264.74 %	209.02 %	235.50 %	246.57 %	220.48 %

*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
POLICE PENSION PLAN — SCHEDULES OF EMPLOYER CONTRIBUTIONS,
INVESTMENT RETURNS, AND EMPLOYER’S NET PENSION LIABILITY
CALCULATED IN ACCORDANCE WITH GASB 68
DECEMBER 31, 2019**

Year Ended December 31,	Actuarially Determined Contribution	Schedule of Employer Contributions*			Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
		Actual Contribution	Contribution Deficiency (Excess)			
2014	\$ 1,231,728	\$ 1,231,728	\$ -	\$ 3,481,071	35.38 %	
2015	\$ 1,601,121	\$ 1,601,121	\$ -	\$ 3,714,833	43.10 %	
2016	\$ 1,590,940	\$ 1,590,940	\$ -	\$ 3,829,463	41.54 %	
2017	\$ 1,620,023	\$ 1,620,023	\$ -	\$ 4,089,093	39.62 %	
2018	\$ 1,651,206	\$ 1,651,206	\$ -	\$ 4,390,592	37.61 %	
2019	\$ 2,029,927	\$ 2,029,927	\$ -	\$ 4,720,550	43.00 %	

Actual Money Weighted Rate of Return, Net of Investment Expense	Schedule of Investment Returns*					
	2019	2018	2017	2016	2015	2014
	22.60 %	(5.98)%	17.60 %	7.22 %	(3.40)%	3.82 %

*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
NON-UNIFORM PENSION PLAN — SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019**

	Measurement Year Ending 12/31/18	Measurement Year Ending 12/31/17	Measurement Year Ending 12/31/16	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability					
Service Cost	\$ 594,274	\$ 563,726	\$ 513,535	\$ 587,957	\$ 571,056
Interest	1,390,945	1,336,237	1,272,880	1,206,949	1,160,307
Benefit Payments	(902,727)	(874,548)	(905,391)	(849,382)	(683,002)
Difference Between Actual and and Expected, if any	102,689	-	658,312	-	(135,142)
Assumption Changes	-	-	704,383	355,274	-
Net Change in Total Pension Liability	1,185,181	1,025,415	2,243,719	1,300,798	913,219
Total Pension Liability - Beginning	26,345,511	25,320,096	23,076,377	21,775,579	20,862,360
Total Pension Liability - Ending (a)	<u>\$ 27,530,692</u>	<u>\$ 26,345,511</u>	<u>\$ 25,320,096</u>	<u>\$ 23,076,377</u>	<u>\$ 21,775,579</u>
Plan Fiduciary Net Position					
Contribution - Employer and State Aid	\$ 602,041	\$ 589,101	\$ 588,491	\$ 555,635	\$ 369,460
Contribution - Member	170,575	161,929	157,864	164,002	153,730
Net Investment Income	(1,034,701)	3,720,971	1,807,634	(169,590)	1,177,366
Benefit Payments	(902,727)	(874,548)	(905,391)	(849,382)	(683,002)
Administrative Expense	(2,320)	(2,280)	(2,200)	(2,320)	(2,220)
Other	(54,964)	(52,957)	(54,945)	(46,123)	(40,089)
Net Change in Plan Fiduciary Net Position	(1,222,096)	3,542,216	1,591,453	(347,778)	975,245
Plan Fiduciary Net Position - Beginning	24,726,391	21,184,175	19,592,722	19,940,500	18,965,255
Plan Fiduciary Net Position - Ending (b)	<u>\$ 23,504,295</u>	<u>\$ 24,726,391</u>	<u>\$ 21,184,175</u>	<u>\$ 19,592,722</u>	<u>\$ 19,940,500</u>
Net Pension Liability (a-b)	<u>\$ 4,026,397</u>	<u>\$ 1,619,120</u>	<u>\$ 4,135,921</u>	<u>\$ 3,483,655</u>	<u>\$ 1,835,079</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.37 %	93.85 %	83.67 %	84.90 %	91.57 %
Covered Payroll	\$ 4,806,161	\$ 4,559,105	\$ 4,444,207	\$ 4,619,484	\$ 4,509,641
Net Pension Liability as a Percentage of Covered Payroll	83.78 %	35.51 %	93.06 %	75.41 %	40.69 %

Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
NON-UNIFORM PENSION PLAN — SCHEDULES OF EMPLOYER CONTRIBUTIONS
AND EMPLOYER’S NET PENSION LIABILITY
CALCULATED IN ACCORDANCE WITH GASB 68
DECEMBER 31, 2019**

Schedule of Employer Contributions*					
Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2015	\$ 369,460	\$ 369,460	\$ -	\$ 4,509,641	8.19 %
2016	\$ 555,635	\$ 555,635	\$ -	\$ 4,619,484	12.03 %
2017	\$ 588,491	\$ 588,491	\$ -	\$ 4,444,207	13.24 %
2018	\$ 589,101	\$ 589,101	\$ -	\$ 4,559,105	12.92 %
2019	\$ 602,041	\$ 602,041	\$ -	\$ 4,806,161	12.53 %

*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
MUNICIPAL FIREFIGHTERS PENSION PLAN — SCHEDULES OF CHANGES IN THE
EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019**

	Measurement Year Ending 12/31/2018	Measurement Year Ending 12/31/2017	Measurement Year Ending 12/31/2016	Measurement Year Ending 12/31/2015	Measurement Year Ending 12/31/2014
Total Pension Liability					
Service Cost	\$ 104,807	\$ 99,343	\$ 79,136	\$ 95,158	\$ 98,322
Interest	138,739	126,590	126,149	125,323	115,986
Benefit Payments	-	-	-	-	-
Difference Between Actual and Expected, if any	(141,304)	-	(170,915)	(189,438)	(41,387)
Assumption Changes	-	-	63,047	-	-
Net Change in Total Pension Liability	102,242	225,933	97,417	31,043	172,921
Total Pension Liability - Beginning	2,537,837	2,311,904	2,214,487	2,183,444	2,010,523
Total Pension Liability - Ending (a)	<u>\$ 2,640,079</u>	<u>\$ 2,537,837</u>	<u>\$ 2,311,904</u>	<u>\$ 2,214,487</u>	<u>\$ 2,183,444</u>
Plan Fiduciary Net Position					
Contribution - Employer and State Aid	\$ 151,356	\$ 132,954	\$ 119,388	\$ 131,476	\$ 87,426
Contribution - Member	19,486	18,456	15,573	15,777	16,446
Net Investment Income	(187,853)	405,808	157,312	(16,672)	86,815
Benefit Payments	-	-	-	-	-
Administrative Expense	(120)	(100)	(100)	(100)	(100)
Other	(6,307)	(5,805)	(5,800)	(4,387)	(3,586)
Net Change in Plan Fiduciary Net Position	(23,438)	551,313	286,373	126,094	187,001
Plan Fiduciary Net Position - Beginning	2,807,152	2,255,839	1,969,466	1,843,372	1,656,371
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,783,714</u>	<u>\$ 2,807,152</u>	<u>\$ 2,255,839</u>	<u>\$ 1,969,466</u>	<u>\$ 1,843,372</u>
Net Pension Liability (Asset) (a-b)	<u>\$ (143,635)</u>	<u>\$ (269,315)</u>	<u>\$ 56,065</u>	<u>\$ 245,021</u>	<u>\$ 340,072</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.44 %	110.61 %	97.57 %	88.94 %	84.42 %
Covered Payroll	\$ 553,315	\$ 524,465	\$ 444,925	\$ 450,764	\$ 467,506
Net Pension Liability as a Percentage of Covered Payroll	(25.96)%	(51.35)%	12.60 %	54.36 %	72.74 %

Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
MUNICIPAL FIREFIGHTERS PENSION PLAN — SCHEDULES OF EMPLOYER CONTRIBUTIONS
AND EMPLOYER’S NET PENSION LIABILITY
CALCULATED IN ACCORDANCE WITH GASB 68
DECEMBER 31, 2019**

Schedule of Employer Contributions*					
Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2015	\$ 87,426	\$ 87,426	\$ -	\$ 467,506	18.70 %
2016	\$ 131,476	\$ 131,476	\$ -	\$ 450,764	29.17 %
2017	\$ 119,388	\$ 119,388	\$ -	\$ 444,925	26.83 %
2018	\$ 132,954	\$ 132,954	\$ -	\$ 524,465	25.35 %
2019	\$ 151,356	\$ 151,356	\$ -	\$ 553,315	27.35 %

*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION —
SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019**

	Year Ending 12/31/2019	Year Ending 12/31/2018
Total OPEB Liability		
Service Cost	\$ 398,459	\$ 342,101
Interest	211,831	226,092
Changes of Benefit Terms	-	-
Difference Between Actual and Expected Experience	124,151	-
Changes of Assumptions	(235,483)	209,583
Benefit Payments	(225,782)	(223,507)
Other Changes	-	-
Net Change in Total OPEB Liability	<u>273,176</u>	<u>554,269</u>
Total OPEB Liability - Beginning	<u>6,427,375</u>	<u>5,873,106</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 6,700,551</u></u>	<u><u>\$ 6,427,375</u></u>

NOTES TO SCHEDULE

- 1) No assets are accumulated in a trust to pay benefits related to this plan.
- 2) Changes in assumptions: The discount rate changed from 3.16% to 3.64%.
The trend assumption was updated.
- 3) Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available in future years.

**UPPER MORELAND TOWNSHIP
OTHER SUPPLEMENTARY INFORMATION —
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>Debt Service</u>	<u>Capital Reserve</u>	<u>Highway Aid</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 31,727	\$ 260,455	\$ 179,109	\$ 471,291
Receivables	<u>17,477</u>	<u>-</u>	<u>-</u>	<u>17,477</u>
Total Assets	<u>\$ 49,204</u>	<u>\$ 260,455</u>	<u>\$ 179,109</u>	<u>\$ 488,768</u>
LIABILITIES				
Accounts Payable and Accrued Wages	\$ -	\$ -	\$ 12,998	\$ 12,998
Total Liabilities	<u>-</u>	<u>-</u>	<u>12,998</u>	<u>12,998</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	15,873	-	-	15,873
FUND BALANCES				
Restricted for:				
Public Works	-	-	166,111	166,111
Debt Service	33,331	-	-	33,331
Assigned:				
Capital Additions	<u>-</u>	<u>260,455</u>	<u>-</u>	<u>260,455</u>
Total Fund Balances	<u>33,331</u>	<u>260,455</u>	<u>166,111</u>	<u>459,897</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 49,204</u>	<u>\$ 260,455</u>	<u>\$ 179,109</u>	<u>\$ 488,768</u>

**UPPER MORELAND TOWNSHIP
OTHER SUPPLEMENTARY INFORMATION —
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Debt Service	Capital Reserve	Highway Aid	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Real Estate	\$ 684,468	\$ -	\$ -	\$ 684,468
Investment Income and Rent	449	5,210	11,847	17,506
Intergovernmental Revenues	-	-	821,355	821,355
Fines and Forfeitures	-	-	-	-
Charges for Services	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>684,917</u>	<u>5,210</u>	<u>833,202</u>	<u>1,523,329</u>
EXPENDITURES				
Current:				
General Government	17,230	-	-	17,230
Public Safety	-	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	-	-	-	-
Highways and Roads	-	174,338	874,121	1,048,459
Debt Service:				
Principal	604,748	-	-	604,748
Interest	124,071	-	-	124,071
Fiscal Agent Fees	431	-	-	431
Total Expenditures	<u>746,480</u>	<u>174,338</u>	<u>874,121</u>	<u>1,794,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,563)	(169,128)	(40,919)	(271,610)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
NET CHANGE IN FUND BALANCES	(61,563)	(19,128)	(40,919)	(121,610)
Total Fund Balance - Beginning of Year	<u>94,894</u>	<u>279,583</u>	<u>207,030</u>	<u>581,507</u>
TOTAL FUND BALANCE - END OF YEAR	<u><u>\$ 33,331</u></u>	<u><u>\$ 260,455</u></u>	<u><u>\$ 166,111</u></u>	<u><u>\$ 459,897</u></u>

**UPPER MORELAND TOWNSHIP
OTHER SUPPLEMENTARY INFORMATION —
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES — AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2019</u>
ESCROW FUND				
ASSETS				
Cash	\$ 283,912	\$ 350,210	\$ 46,003	\$ 588,119
Accounts Receivable	<u>21,018</u>	<u>-</u>	<u>21,018</u>	<u>-</u>
Total Assets	<u><u>\$ 304,930</u></u>	<u><u>\$ 350,210</u></u>	<u><u>\$ 67,021</u></u>	<u><u>\$ 588,119</u></u>
LIABILITIES				
Escrow Payable	\$ 283,912	\$ 350,210	\$ 46,003	\$ 588,119
Accounts Payable	<u>21,018</u>	<u>-</u>	<u>21,018</u>	<u>-</u>
Total Liabilities	<u><u>\$ 304,930</u></u>	<u><u>\$ 350,210</u></u>	<u><u>\$ 67,021</u></u>	<u><u>\$ 588,119</u></u>

