

**UPPER MORELAND TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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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, 2014, and the related notes to the financial statement, 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 of material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly in all material respects, the respective 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, as of December 31, 2014, 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, budgetary comparison information, schedules of pension and other postemployment benefit funding progress and contributions on pages 3 through 13 and 54 through 60 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 61 to 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statement and schedules on pages 61 to 64 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.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
July 29, 2015

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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, 2014.

**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 2014 by \$37.5 million (total net position). Of this amount, \$3.6 million in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Net position increased by \$45 thousand from the prior year.

**Fund Financial Statements (Modified Accrual)**

At December 31, 2014, the Township's governmental funds reported combined ending fund balances of \$6.6 million, a decrease of \$674 thousand in comparison with the prior year, which resulted primarily from an overall decrease in revenue in the General Fund.

During the year, the general fund had total revenues of \$18.8 million generated from tax and other revenues, compared with total expenditures of \$18.8 million, resulting in a surplus of \$30 thousand before transfers and other financing sources. After transfers, there was a deficit of revenues over expenditures of \$470 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 \$243 thousand under the amended budget, and revenues exceeded the amended budget by \$176 thousand. In 2013, expenditures came in \$5 hundred under the amended budget, and revenues exceeded the amended budget by \$1.4 million.

**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 17. 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, 2014**

**Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 14. 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, however, 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.

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

**Reporting the Township's Most Significant Funds**

The fund financial statements begin on page 17 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.

- **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 18 and 20 behind the fund financial statements.

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 21 and 22. 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.

**Infrastructure Assets**

The Township has implemented GASB Statement No. 34, including the reporting of infrastructure. Historically, a government's largest group of assets (infrastructure – roads, bridges, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. This statement requires that these assets be valued and reported within the governmental column of the entity-wide statements. Additionally, the government must elect to either, (1) depreciate these assets over their estimated useful lives, or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Township has chosen to depreciate assets over their useful lives. If a road project is considered maintenance, the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

**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.

The following table reflects the condensed statement of Net Position:

**Table 1  
Statement of Net Position**

	Governmental Activities		Component Units	
	2014	2013	2014	2013
<b>ASSETS</b>				
Current and Other Assets	\$ 7,848,917	\$ 8,463,859	\$ 256,881	\$ 240,734
Capital Assets	36,977,901	36,479,416	478,801	489,435
Total Assets	<u>44,826,818</u>	<u>44,943,275</u>	<u>735,682</u>	<u>730,169</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charges on Refunding	44,551	50,916	-	-
<b>LIABILITIES</b>				
Long-Term Liabilities	5,653,438	6,451,936	-	-
Other Liabilities	1,687,249	1,056,363	17,265	13,496
Total Liabilities	<u>7,340,687</u>	<u>7,508,299</u>	<u>17,265</u>	<u>13,496</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	33,395,271	32,459,471	478,801	489,435
Restricted	526,923	746,743	9,439	1,970
Unrestricted	3,608,488	4,279,678	230,177	225,268
Total Net Position	<u>\$ 37,530,682</u>	<u>\$ 37,485,892</u>	<u>\$ 718,417</u>	<u>\$ 716,673</u>

The Township's combined net position, which is the Township's bottom line, increased \$45,000 from \$37.5 million. The Township's unrestricted net position for governmental activities – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – was \$3.6 million.

The Net Position of the component units increased to \$718,000 in 2014 from \$717,000 in 2013. The Library's net position decreased \$7,000 while the Fire Company's net position increased \$8,000 in 2014.

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

***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** – 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 Non-borrowed Current Assets on New Capital** – 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 15 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, 2014**

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			
	2014	2013	2014	2013
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 3,047,006	\$ 2,988,278	\$ 51,278	\$ 52,241
Operating Grants and Contributions	1,127,968	1,557,287	1,245,059	104,409
Capital Grants and Contributions	400,359	457,870	-	-
General Revenues:				
Property Taxes	6,880,836	6,909,411	-	-
Other Taxes	8,316,624	8,621,062	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	1,032,777
Investment Income	17,361	16,232	1,755	1,874
Miscellaneous/Other	406,891	262,705	2,208	5,631
Total Revenues	<u>20,197,045</u>	<u>20,812,845</u>	<u>1,300,300</u>	<u>1,196,932</u>
<b>EXPENSES</b>				
Administrative	2,533,065	2,598,385	-	-
Police and Emergency Services	8,669,916	8,925,565	218,942	191,602
Highway and Roads	3,812,528	3,792,324	-	-
Sanitation	2,388,618	2,308,375	-	-
Culture and Recreation	2,748,128	2,645,333	1,079,614	1,085,434
Total Expenses	<u>20,152,255</u>	<u>20,269,982</u>	<u>1,298,556</u>	<u>1,277,036</u>
<b>CHANGE IN NET POSITION</b>	44,790	542,863	1,744	(80,104)
Net Position - Beginning of Year	<u>37,485,892</u>	<u>36,943,029</u>	<u>716,673</u>	<u>796,777</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 37,530,682</u>	<u>\$ 37,485,892</u>	<u>\$ 718,417</u>	<u>\$ 716,673</u>

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

***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, 2014**

*Current Year Impacts*

**Governmental Activities**

Sources of revenues for the fiscal year 2014 are comprised of the following items:

**Governmental Activities – Revenues by Source  
For the Year Ended DECEMBER 31, 2014**

<b>REVENUES</b>	<u>2014</u>	<u>% of Total Revenues</u>
Program Revenues:		
Charges for Services	\$ 3,047,006	15.09%
Operating Grants and Contributions	1,127,968	5.58%
Capital Grants and Contributions	400,359	1.97%
General Revenues:		
Property Taxes	6,880,836	34.07%
Other Taxes	8,316,624	41.18%
Investment Income	17,361	0.09%
Miscellaneous/Other	406,891	2.01%
Total Revenues	<u>\$ 20,197,045</u>	<u>100.0%</u>

The greatest portion of revenue was generated from other taxes at \$8.3 million (41.3 %), which included several large tax sources such as earned income tax at \$3.7 million and business privilege tax at \$4.6 million. The next largest source of revenue was property taxes at \$6.9 million (34.1 %) and the charges for services at \$3.0 million (15.1 %). Together, these three revenue sources approximate 90.5 % of the Township's revenue base.

**Governmental Activities – Expenses by Function  
For the Year Ended DECEMBER 31, 2014**

<b>EXPENSES</b>	<u>2014</u>	<u>% of Total Expenses</u>
Administrative	\$ 2,533,065	12.57%
Police and Emergency Services	8,669,916	43.02%
Highway and Roads	3,812,528	18.92%
Sanitation	2,388,618	11.85%
Culture and Recreation	2,748,128	13.64%
Total Expenses	<u>\$ 20,152,255</u>	<u>100.0%</u>

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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

**Table 3  
Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>EXPENSES</b>				
Administrative	\$ 2,533,065	\$ 2,598,385	\$ (1,361,524)	\$ (1,418,826)
Police and Emergency Services	8,669,916	8,925,565	(8,003,548)	(7,821,811)
Highway and Roads	3,812,528	3,792,324	(3,040,440)	(2,782,363)
Sanitation	2,388,618	2,308,375	(845,591)	(966,922)
Culture and Recreation	2,748,128	2,645,333	(2,325,819)	(2,276,625)
Total Expenses	<u>\$ 20,152,255</u>	<u>\$ 20,269,982</u>	<u>\$ (15,576,922)</u>	<u>\$ (15,266,547)</u>

**General Fund Budgetary Highlights**

The government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending resulted in General Fund actual expenditures approximating total budgeted expenditures. Revenues were \$176 thousand over budget. The schedule on page 54 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 2014, the Township had \$37 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 12).

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

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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

	Beginning Balance	Additions	Disposals	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,019,797	\$ -	\$ -	\$ 4,019,797
Construction in Process	-	421,970	(115,271)	306,699
Total Capital Assets, Not Being Depreciated	4,019,797	421,970	(115,271)	4,326,496
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,527,567	115,271	-	3,642,838
Machinery, Vehicles and Equipment	8,585,586	992,547	(380,881)	9,197,252
Infrastructure	46,288,531	394,884	-	46,683,415
Total Capital Assets Being Depreciated	58,401,684	1,502,702	(380,881)	59,523,505
Less Accumulated Depreciation for:				
Buildings and Improvements	1,853,045	69,836	-	1,922,881
Machinery, Vehicles and Equipment	6,555,085	382,669	(335,721)	6,602,033
Infrastructure	17,533,935	813,251	-	18,347,186
Total Accumulated Depreciation	25,942,065	1,265,756	(335,721)	26,872,100
Total Capital Assets, Being Depreciated, Net	32,459,619	236,946	(45,160)	32,651,405
Governmental-Type Activities Capital Assets, Net	<u>\$ 36,479,416</u>	<u>\$ 658,916</u>	<u>\$ (160,431)</u>	<u>\$ 36,977,901</u>

**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	\$ 664,100	\$ 8,276	\$ 10,719	\$ 661,657
Collection	1,493,189	80,054	63,420	1,509,823
Total Capital Assets Being Depreciated	2,157,289	88,330	74,139	2,171,480
Less Accumulated Depreciation For:				
Furniture and Equipment	629,110	19,447	10,494	\$ 638,063
Collection	1,038,744	79,292	63,420	1,054,616
Total Accumulated Depreciation	1,667,854	98,739	73,914	1,692,679
Total Capital Assets Being Depreciated, Net	<u>\$ 489,435</u>	<u>\$ (10,409)</u>	<u>\$ 225</u>	<u>\$ 478,801</u>

**UPPER MORELAND TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

**Debt**

At year end, the Township had \$3.91 million in notes outstanding versus \$4.44 million last year.

**Table 6  
Outstanding Debt at Year End**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes Payable	\$ 4,433,830	\$ -	\$ (529,911)	\$ 3,903,919	\$ 1,074,930
Discounts	(11,462)	-	1,433	(10,029)	-
Premiums	21,460	-	(2,683)	18,777	-
Total Notes Payable	4,443,828	-	(531,161)	3,912,667	1,074,930
Capital Lease	79,278	-	(27,742)	51,536	28,970
OPEB Liability	1,902,339	313,866	-	2,216,205	-
Compensated Absences	584,144	12,344	(19,558)	576,930	-
Governmental Activity Long-Term Liabilities	<u>\$ 7,009,589</u>	<u>\$ 326,210</u>	<u>\$ (578,461)</u>	<u>\$ 6,757,338</u>	<u>\$ 1,103,900</u>

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

During 2015, it is expected that the real estate market will improve which will result in increased transfer taxes and an increase in assessed valuation. Earned income and business taxes are expected to increase modestly. The Township is expecting to receive a DEP Recycling grant in the amount of \$172,000 for the purchase of a recycling vehicle and a DCED grant of \$136,000 for a Streambank Enhancement project. Real Estate millage will increase 4.9% in 2015, primarily to fund increases in pension obligations. Overall, the economic outlook is positive.

**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, PA 19090.

**UPPER MORELAND TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	Primary Government	Component Units	
	Governmental Activities	Public Library	Fire Company
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,934,544	\$ 20,325	\$ 107,337
Investments	251,661	-	-
Accounts and Other Receivables	1,563,955	-	-
Restricted Assets	-	129,219	-
Capital Assets Not Being Depreciated:			
Land	4,019,797	-	-
Construction in Progress	306,699	-	-
Other Capital Assets (Net of Accumulated Depreciation)	32,651,405	478,801	-
Net Pension Asset	98,757	-	-
Total Assets	<u>\$ 44,826,818</u>	<u>\$ 628,345</u>	<u>\$ 107,337</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Refunding	\$ 44,551	\$ -	\$ -
Total Deferred Outflows of Resources	<u>44,551</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	519,874	17,265	-
Accrued Interest Payable	16,247	-	-
Unearned Revenue	47,228	-	-
Non-Current Liabilities:			
Due within One Year	1,103,900	-	-
Due after One Year	5,653,438	-	-
Total Liabilities	<u>7,340,687</u>	<u>17,265</u>	<u>-</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	33,395,271	478,801	-
Restricted for:			
Public Safety	92,376	-	-
Public Works	171,742	-	-
Open Space	90,624	-	-
Debt Service	172,181	-	-
Culture and Recreation	-	9,439	-
Unrestricted	3,608,488	122,840	107,337
Total Net Position	<u>\$ 37,530,682</u>	<u>\$ 611,080</u>	<u>\$ 107,337</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
General Government	\$ 2,472,810	\$ 637,111	\$ 534,430	\$ -
Public Safety	8,669,916	597,841	68,527	-
Sanitation	2,388,618	1,360,159	-	182,868
Highway and Roads	3,812,528	29,586	525,011	217,491
Culture and Recreation	2,748,128	422,309	-	-
Interest	60,255	-	-	-
Total Primary Government	<u>\$ 20,152,255</u>	<u>\$ 3,047,006</u>	<u>\$ 1,127,968</u>	<u>\$ 400,359</u>
<b>COMPONENT UNITS</b>				
Public Library	\$ 1,079,614	\$ 33,604	\$ 1,037,819	\$ -
Fire Company	218,942	17,674	207,240	-
Total Component Units	<u>\$ 1,298,556</u>	<u>\$ 51,278</u>	<u>\$ 1,245,059</u>	<u>\$ -</u>

General Revenues:  
Taxes:  
Real Estate  
Transfer  
Earned Income and Occupational  
Business and Mercantile  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

Net (Expense) Revenue and  
Changes in Net Position

Primary Government	Component Units	
Governmental Activities	Library	Fire Company
\$ (1,301,269)	\$ -	\$ -
(8,003,548)	-	-
(845,591)	-	-
(3,040,440)	-	-
(2,325,819)	-	-
(60,255)	-	-
<u>(15,576,922)</u>	<u>-</u>	<u>-</u>
-	(8,191)	-
-	-	5,972
<u>-</u>	<u>(8,191)</u>	<u>5,972</u>
6,437,250	-	-
443,586	-	-
3,708,788	-	-
4,607,836	-	-
17,361	1,641	114
406,891	-	2,208
<u>15,621,712</u>	<u>1,641</u>	<u>2,322</u>
44,790	(6,550)	8,294
<u>37,485,892</u>	<u>617,630</u>	<u>99,043</u>
<u>\$ 37,530,682</u>	<u>\$ 611,080</u>	<u>\$ 107,337</u>

**UPPER MORELAND TOWNSHIP  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	Major Fund General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,140,557	\$ 793,987	\$ 5,934,544
Investments	251,661	-	251,661
Receivables	1,545,771	20,145	1,565,916
Due from Other Funds	-	37,768	37,768
Total Assets	\$ 6,937,989	\$ 851,900	\$ 7,789,889
<b>LIABILITIES</b>			
Accounts Payable and Accrued Wages	\$ 519,874	\$ -	\$ 519,874
Due to Other Funds	37,768	-	37,768
Unearned Revenues	43,289	3,939	47,228
Total Liabilities	600,931	3,939	604,870
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Taxes	531,084	13,502	544,586
<b>FUND BALANCES</b>			
Restricted for:			
Public Safety	92,376	-	92,376
Public Works	119,370	52,372	171,742
Open Space	90,624	-	90,624
Capital Projects	-	337,022	337,022
Debt Service	-	174,926	174,926
Assigned			
Capital Additions		270,139	270,139
Unassigned, Reported in			
General Fund	5,503,604	-	5,503,604
Total Fund Balances	5,805,974	834,459	6,640,433
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,937,989	\$ 851,900	\$ 7,789,889

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP  
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

Total Fund Balances - Total Governmental Funds (page 17) \$ 6,640,433

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

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

Cost of Capital Assets	63,850,001	
Accumulated Depreciation	<u>(26,872,100)</u>	36,977,901

Assets in the statement of net position that do not provide current financial resources are not reported as assets in the governmental funds.

Net Pension Asset		98,757
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues - property taxes, in the governmental funds and thus are not included in fund balance.

Other Taxes Receivables	(1,961)	
Deferred Inflow - Unavailable Property Taxes		544,586

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>44,551</u>	44,551
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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	(3,912,667)	
Capital Leases	(51,536)	
Accrued Interest Payable	(16,247)	
Post-Employment Benefits	(2,216,205)	
Compensated Absences	<u>(576,930)</u>	<u>(6,773,585)</u>

Net Position of Governmental Activities (page 14)		<u>\$ 37,530,682</u>
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**UPPER MORELAND TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Real Estate	\$ 5,830,827	\$ 633,661	\$ 6,464,488
Transfer	443,586	-	443,586
Earned Income and Occupational Business and Mercantile	3,710,749	-	3,710,749
Fees, Licenses and Permits	4,607,836	-	4,607,836
Investment Income and Rent	612,638	-	612,638
Intergovernmental Revenues	16,657	704	17,361
Fines and Forfeitures	776,394	688,785	1,465,179
Charges for Services	206,969	-	206,969
Other	2,290,547	-	2,290,547
	<u>275,288</u>	<u>131,604</u>	<u>406,892</u>
Total Revenues	18,771,491	1,454,754	20,226,245
<b>EXPENDITURES</b>			
Current:			
General Government	2,021,420	115,271	2,136,691
Public Safety	5,872,516	-	5,872,516
Sanitation	1,374,704	-	1,374,704
Highways and Roads	2,215,013	1,298,790	3,513,803
Culture and Recreation	1,998,236	153,985	2,152,221
Miscellaneous:			
Employee Benefits	3,909,486	-	3,909,486
Insurance	587,405	-	587,405
Other	731,674	-	731,674
Debt Service:			
Principal	27,742	529,911	557,653
Interest	2,796	60,863	63,659
Fiscal Agent Fees	-	299	299
Total Expenditures	<u>18,740,992</u>	<u>2,159,119</u>	<u>20,900,111</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	30,499	(704,365)	(673,866)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	500,000	500,000
Operating Transfers Out	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES)</b>	(469,501)	(204,365)	(673,866)
Total Fund Balance - Beginning of Year	<u>6,275,475</u>	<u>1,038,824</u>	<u>7,314,299</u>
<b>TOTAL FUND BALANCE - END OF YEAR</b>	<u><u>\$ 5,805,974</u></u>	<u><u>\$ 834,459</u></u>	<u><u>\$ 6,640,433</u></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, 2014**

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

Net change in fund balances - total governmental funds (page 19)		\$ (673,866)
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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.

	1,809,401	
Capital Outlay		
Depreciation Expense	(1,265,756)	543,645

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position		(45,160)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(29,121)
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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.

	27,742	
Lease Payments		
Repayment of Notes	529,911	
Note Discount Amortization	(1,433)	
Note Premium Amortization	2,683	
Loss on Refunding Amortization	(6,365)	
Accrued Interest Expense	3,406	555,944

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:

	7,214	
Compensated Absences		
Post-Employment Benefits	(313,866)	(306,652)

Change in Net Position of Governmental Activities (page 16)		\$ 44,790
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**UPPER MORELAND TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	Police Pension Trust Fund	Agency Funds	Total Fiduciary Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 349,977	\$ 420,729	\$ 770,706
Receivables		8,463	8,463
Accrued Interest	3	-	3
Investments, at Fair Value			
Mutual Funds	<u>20,237,011</u>	<u>-</u>	<u>20,237,011</u>
Total Current Assets	20,586,991	429,192	21,016,183
<b>LIABILITIES</b>			
Pension Payable	-	133,683	133,683
Accounts Payable		8,463	8,463
Escrows Payable	<u>-</u>	<u>287,046</u>	<u>287,046</u>
Total Current Liabilities	-	429,192	429,192
<b>NET POSITION</b>			
Net Position Restricted for Pension Benefits	<u>\$ 20,586,991</u>	<u>\$ -</u>	<u>\$ 20,586,991</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	<u>Police Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 1,231,728
Employee	<u>177,730</u>
Total Contributions	<u>1,409,458</u>
Investment Income	
Net Appreciation in Fair Value of Investments	351,662
Dividends and Interest	412,241
Less: Investment Expenses	<u>(65,398)</u>
Investment Earnings, Net	<u>698,505</u>
Other Receipts	<u>329,898</u>
Total Additions	2,437,861
Deductions	
Administrative Fees	2,400
Benefits	<u>1,804,975</u>
Total Deductions	<u>1,807,375</u>
Net Increase	630,486
Net Position Restricted for Pension Benefits:	
Beginning of Year	<u>19,956,505</u>
End of Year	<u>\$ 20,586,991</u>

See accompanying Notes to Financial Statements.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Upper Moreland Township is a municipal corporation existing and operating under the First Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the 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 unit may be obtained at the entity's administrative offices as follows: Willow Grove Volunteer Fire Company, 227 Davisville Road, Willow Grove, PA; Upper Moreland Free Public Library, 109 Park Avenue, Willow Grove, PA.

**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, 2014**

**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, 2014**

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

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.

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

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**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 (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

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

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***Deposits and Investments (Continued)***

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.

***Receivables and Payables***

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2014, 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.

***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 fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***Capital Assets (continued)***

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 exceed 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.

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 - 25
Library Collection	5 - 10
Furniture and Equipment	5 - 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, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the new refunding debt.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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)***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has certain items that qualify for reporting in this category. The unavailable revenues related to earned income taxes and property taxes are reported as deferred inflows of resources.

***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, 2014

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, 2014**

**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, 2014, expenditures exceeded appropriations in the categories of general government, public safety, debt service, and highways and roads by \$308,026. These overexpenditures were funded by greater than anticipated revenues and beginning fund balance.

**NOTE 3     DETAILED NOTES ON ALL FUNDS**

**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 \$2,846,309 and the bank balance was \$3,069,204. Governmental funds and Fiduciary funds report carrying value of deposits of \$2,075,603 and \$770,706, respectively as of December 31, 2014. 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, 2014**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Deposits and Investments (Continued)**

The Township has several accounts totaling \$3,858,941 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. The PLGIT accounts include \$248,000 in certificates of deposit that are covered by federal depository insurance, all other 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.

At year end, the investments balances were as follows:

	Maturity Dates	Fair Value
<b>GOVERNMENTAL FUNDS</b>		
Certificates of Deposits	2015	\$ 251,661
Total Government Funds		\$ 251,661
 <b>FIDUCIARY FUNDS - Police Pension Trust</b>		
Mutual Funds - Domestic Equity	--	\$ 8,351,174
Mutual Funds - International Equity	--	5,903,235
Mutual Funds - Fixed Income	--	5,846,338
Mutual Funds - Balanced	--	136,264
Total Fiduciary Funds		\$ 20,237,011

*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, 2014**

**NOTE 3     DETAILED NOTES ON ALL FUNDS (CONTINUED)**

***Discretely Presented Component Units***

Component Unit – Library: At year end, the carrying amount of deposits for the discretely presented component unit was \$20,325 and the bank balance was \$37,007. Restricted assets include four certificates of deposit totaling \$127,594. 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, 2014, there were restricted assets of \$1,625 held in the collateral deposit.

Component Unit – Fire Company: At year end, the carrying amount of deposits for the discretely presented component unit was \$107,337 and the bank balance was \$109,909. 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.

**Receivables**

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

	General	Nonmajor Funds	Total
Receivables:			
Taxes	\$ 1,214,286	\$ 14,671	\$ 1,228,957
Accounts	331,485	5,474	336,959
Agency	8,463		8,463
Total Receivables	\$ 1,545,771	\$ 20,145	\$ 1,565,916

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Capital Assets**

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,019,797	\$ -	\$ -	\$ 4,019,797
Construction in Process	-	421,970	(115,271)	306,699
Total Capital Assets, Not Being Depreciated	4,019,797	421,970	(115,271)	4,326,496
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,527,567	115,271	-	3,642,838
Machinery, Vehicles and Equipment	8,585,586	992,547	(380,881)	9,197,252
Infrastructure	46,288,531	394,884	-	46,683,415
Total Capital Assets, Being Depreciated	58,401,684	1,502,702	(380,881)	59,523,505
Less Accumulated Depreciation for:				
Buildings and Improvements	1,853,045	69,836	-	1,922,881
Machinery, Vehicles and Equipment	6,555,085	382,669	(335,721)	6,602,033
Infrastructure	17,533,935	813,251	-	18,347,186
Total Accumulated Depreciation	25,942,065	1,265,756	(335,721)	26,872,100
Total Capital Assets, Being Depreciated, Net	32,459,619	236,946	(45,160)	32,651,405
Governmental-Type Activities Capital Assets, Net	<u>\$ 36,479,416</u>	<u>\$ 658,916</u>	<u>\$ (160,431)</u>	<u>\$ 36,977,901</u>

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

Depreciation Expense	
Governmental Activities:	
General Government	\$ 40,116
Public Safety	122,776
Highway and Roads	613,541
Sanitation	244,008
Culture and Recreation	245,315
Total	<u>\$ 1,265,756</u>

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Capital Assets (Continued)**

***Discretely Presented Component Units***

Upper Moreland Free Public Library for the year ended December 31, 2014 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	\$ 664,100	\$ 8,276	\$ (10,719)	\$ 661,657
Collection	1,493,189	80,054	(63,420)	1,509,823
Total Capital Assets Being Depreciated	<u>2,157,289</u>	<u>88,330</u>	<u>(74,139)</u>	<u>2,171,480</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	629,110	19,447	(10,494)	638,063
Collection	1,038,744	79,292	(63,420)	1,054,616
Total Accumulated Depreciation	<u>1,667,854</u>	<u>98,739</u>	<u>(73,914)</u>	<u>1,692,679</u>
 Total Capital Assets, Being Depreciated, Net	 <u>\$ 489,435</u>	 <u>\$ (10,409)</u>	 <u>\$ (225)</u>	 <u>\$ 478,801</u>

**Interfund Receivables, Payables, and Transfers**

Interfund transfers:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 500,000	\$ -
Highway Aid	-	100,000
Capital Reserve Fund	-	400,000
Total	<u>\$ 500,000</u>	<u>\$ 500,000</u>

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Capital Reserve Fund	General Fund	\$ 37,768
Total	Total	<u>\$ 37,768</u>

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

**Leases**

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

***Capital Leases*** - The assets acquired through capital leases are as follows:

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 3     DETAILED NOTES ON ALL FUNDS (CONTINUED)**  
**Leases (Continued)**

	Governmental Activities
Asset:	
Equipment	\$ 139,480
Less Accumulated Depreciation	(111,584)
Total	\$ 27,896

The future minimum lease obligation and the net present value of these minimum lease payments of December 31, 2014 were as follows:

<u>Year Ended December 31,</u>	Governmental Activities
2015	\$ 30,634
2016	22,977
Total Minimum Lease Payment	53,611
Less: Amount Representing Interest	(2,075)
Present Value of Minimum Lease Payments	\$ 51,536

**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 2012, the Township issued a general obligation note of \$5,210,000 to refund the 2004 general obligation bonds balance of \$770,000 and to advance refund the 2007 general obligation bonds balances of \$4,205,000. As a result, the 2004 and 2007 Series Bonds are considered to be defeased and the liability for that debt has been removed from the financial statements. The refunding resulted in a present value cash flow savings of \$95,974 and a loss on defeasance of \$63,646.

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

***General Obligation Bonds and Notes (Continued)***

General obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities	0.8% to 1.9%	\$ 3,903,919

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Long-Term Debt (Continued)**

Annual debt service requirements to maturity are as follows:

Year	General Obligation Notes	
	Principal	Interest
2015	\$ 539,963	\$ 50,363
2016	545,164	45,922
2017	550,369	41,437
2018	555,578	35,827
2019	560,792	28,801
2020-2022	1,152,053	32,232
Total	<u>\$ 3,903,919</u>	<u>\$ 234,582</u>

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable					
1999 GO Note	\$ 5,113	\$ -	\$ (5,113)	\$ -	\$ -
2007 GO Note	93,717	-	(9,798)	83,919	9,930
2012 GO Note	4,335,000	-	(515,000)	3,820,000	1,065,000
Discount for Issuance - Unamortized	(11,462)	-	1,433	(10,029)	-
Premium for Issuance - Unamortized	21,460	-	(2,683)	18,777	-
Total Notes Payable	4,443,828	-	(531,161)	3,912,667	1,074,930
Capital Lease	79,278	-	(27,742)	51,536	28,970
OPEB Liability	1,902,339	313,866	-	2,216,205	-
Compensated Absences	584,144	12,344	(19,558)	576,930	-
Governmental Activity Long-Term Liabilities	<u>\$ 7,009,589</u>	<u>\$ 326,210</u>	<u>\$ (578,461)</u>	<u>\$ 6,757,338</u>	<u>\$ 1,103,900</u>

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2014 was \$152,406. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2014 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$61,275.

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, 2014 was \$379,271. The Trust declared a dividend in 2014. Upper Moreland Township's share of the dividend distribution was \$35,621. The Township received a sum of \$33,800 as a result of the payroll audit of 2013 coverage year. At December 31, 2014 there were no additional assessments due or anticipated. Instead, an audit of the reported 2014 payroll was performed during the first quarter of 2015.

**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.

**Employee Retirement Systems and Pension Plans**

**Defined Benefit Pension Plan**

The Township sponsors three single employer defined benefit pension plans, the Non-Uniform Pension Plan, Municipal Firefighters and the Police Pension Plan. All full time police, firefighters and non-uniform employees participate in the plans. None of the plans prepares individual stand-alone financial statements. The most recent valuation was as of January 1, 2013, whose details are discussed below.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Employee Retirement Systems and Pension Plans (Continued)**

Defined Benefit Pension Plan (Continued)

*Plan Description*

Upper Moreland Township sponsors a public employee retirement system (PERS) to provide pension benefits for employees of the Township. At January 1, 2013, Upper Moreland Township's Pension Plans consisted of the following:

	<u>Non-Uniform</u>	<u>Firefighters</u>	<u>Police</u>
Retirees and Beneficiaries			
Currently Receiving Benefits	38	0	40
Terminated Employees Entitled to			
Benefits but Not Yet Receiving Them	4	0	0
Active Employees	<u>68</u>	<u>5</u>	<u>31</u>
Total	<u><u>110</u></u>	<u><u>5</u></u>	<u><u>71</u></u>

*Description of Non-Uniform Pension Plan*

The Township provides pension benefits for non-uniform municipal 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 eleven-member Pennsylvania Municipal Retirement Board. 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, PA 17108-1165.

The Pension Plan provides retirement, death and disability benefits to plan members and their beneficiaries. A member is 100% vested after 8 years of service. Employees can retire at age 60 with 8 years of credited service, or elect early retirement with 12 years of credited service. Retirement benefit, payable monthly for life, is equal to 2.5% times the final average salary but in no event is the basic benefit greater than 60% of the final average salary. Final average salary is based upon the highest 3 years annualized salary.

Covered employees are required to contribute 3.5% of their salary to the Pension Fund. At retirement, a member may select a survivor benefit. If eligible to retire at the time of death, the beneficiary receives the present value of accrued benefits. A 50% service related disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. This benefit is offset by workers compensation benefit. A 30% non-service related disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Employee Retirement Systems and Pension Plans (Continued)**

Defined Benefit Pension Plan (Continued)

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.

*Description of Firefighters Pension Plan*

The Township provides pension benefits for 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 eleven-member Pennsylvania Municipal Retirement Board. 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, PA 17108-1165.

The Pension Plan provides retirement, death and disability benefits to plan members and their beneficiaries. A member is 100% vested after 8 years of service. Employees can retire at age 55 with 8 years of credited service, or elect early retirement with 12 years of credited service. Retirement benefit, payable monthly for life, is equal to 2.5% times the final average salary but in no event is the basic benefit greater than 60% of the final average salary. Final average salary is based upon the highest 3 years annualized salary.

Covered employees are required to contribute 3.5% of their salary to the Pension Fund. At retirement, a member may select a survivor benefit. If eligible to retire at the time of death, the beneficiary receives the present value of accrued benefits. A 50% service related disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. This benefit is offset by workers compensation benefit. A 30% non-service related disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

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.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Employee Retirement Systems and Pension Plans (Continued)**

Defined Benefit Pension Plan (Continued)

*Description of the Police Pension Plan*

The Township provides pension benefits for members of the police force through a self-administered trust fund – the Police Pension Plan, a single-employer plan accounted for as a pension trust fund of the Township.

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 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 26<sup>th</sup> 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.

The Authority under which obligations to contribute to the Police Pension Plan by the plan members, employer and other contributing entities are established or may be amended includes Act 600 and Act 205 of the Commonwealth of Pennsylvania and Township Ordinances.

Covered employees are required to contribute up to a maximum of 5.0% of their salary to the Pension Fund. Contributions are made only if required to maintain the solvency of the pension fund. 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.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Employee Retirement Systems and Pension Plans (Continued)**

Defined Benefit Pension Plan (Continued)

*Summary of Significant Accounting Policies and Plan Asset Matters*

Basis of Accounting: Police Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

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

Funding Policy: Non-Uniform Pension Plan: For 2014, 3.5% member contributions were required. The Non-Uniform Pension Plan is funded by contributions from participants, the Township, and annual entitlements received from the Commonwealth of Pennsylvania.

*Firefighters Pension Plan:* For 2014, 3.5% member contributions were required. The Firefighters Pension Plan is funded by contributions from participants, the Township, and annual entitlements received from the Commonwealth of Pennsylvania.

*Police Pension Plan:* As a condition of participation, each member may contribute to the Plan up to 5% of earnings. If an actuarial study shows that the condition of the Plan is such that payments may be reduced below the minimum percentages, or eliminated, the Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Pension Plan by participants. The Police Pension Plan is also funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township.

*Contributions Required and Contributions Made*

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Employee Retirement Systems and Pension Plans (Continued)**

*Summary of Significant Accounting Policies and Plan Asset Matters (Continued)*

*Funded Status and Funding Progress*

The funded status of each plan as of January 1, 2013, the most recent actuarial valuation date:

		Actuarial	Actuarial	Percentage	( UAAL ) Unfunded	Projected	UAAL
	Valuation	Value of	Accrued	Funded	Actuarial	Annual	as a
	Date	Assets	Liability		Accrued	Covered	Percentage
					Liability	Payroll	of Payroll
Non-Uniform	1/1/2013	\$ 18,542,551	\$ 20,059,291	92.44%	\$ 1,516,740	\$ 4,327,870	35.05%
Fire	1/1/2013	1,490,072	1,811,350	82.26%	321,278	448,662	71.61%
Police	1/1/2013	17,638,913	26,457,706	66.67%	8,818,793	3,065,901	287.64%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

*Annual Pension Cost and Net Pension Obligation*

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	Non-Uniform	Firefighters	Police
Annual Required Contribution	\$ 369,360	\$ 87,426	\$ 1,231,728
Interest on Net Pension Obligation	-	-	-
Adjustments to Annual Required Contribution	-	-	-
Annual Pension Cost	369,360	87,426	1,231,728
Contributions Made	(369,440)	(87,426)	(1,231,728)
Increase (Decrease) in Net Pension Obligation	(80)	-	-
Net Pension Obligation (Assets) at Beginning of Year	(109,226)	(3,607)	14,156
Net Pension Obligation (Assets) at End of Year	\$ (109,306)	\$ (3,607)	\$ 14,156

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Employee Retirement Systems and Pension Plans (Continued)**

*Summary of Significant Accounting Policies and Plan Asset Matters (Continued)*

The annual required contributions for the current year were determined using the following assumptions:

	<u>Non-Uniform</u>	<u>Firefighters</u>	<u>Police</u>
Date of Actuarial Valuation	1/1/2013	1/1/2013	1/1/2013
Investment Rate of Return	5.5%	5.5%	8.0%
Projected Salary Increases Due to Inflation	4.1%	4.1%	5.5%
Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar - Closed	Level Dollar - Closed	Level Dollar - Closed
Amortization Period	11	8	12

*Three Year Trend Information*

**NON-UNIFORM**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2012	\$ 350,533	100.0%	\$ (109,146)
12/31/2013	360,989	100.0%	(109,146)
12/31/2014	369,360	100.0%	(109,306)

**FIREFIGHTERS**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2012	\$ 69,672	100.0%	\$ (3,607)
12/31/2013	84,152	100.0%	(3,607)
12/31/2014	87,426	100.0%	(3,607)

**POLICE**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2012	\$ 928,663	100.0%	\$ 14,156
12/31/2013	1,266,438	100.0%	14,156
12/31/2014	1,231,728	100.0%	14,156

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Other Postemployment Benefits (OPEB)**

*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 Supervisors. The Plan was established through contracts negotiated by Township Supervisors. The Plan provides post-employment 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, 2014, nine retired employees were eligible to receive medical benefits. The Plan did not issue a stand-alone report.

At January 1, 2014, the most recent actuarial valuation date, Upper Moreland Township Postemployment Benefit Plan consisted of the following:

	OPEB
Retirees and Beneficiaries	
Currently Receiving Benefits	9
Terminated Employees Entitled to	
Benefits but Not Yet Receiving Them	0
Active Employees	86
Total	95

*Funding Policy*

The contribution requirements of plan members and the Township Supervisors are established and may be amended by Township Supervisors, 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 percent of premium costs plus the two percent administration fee. After seven years, eligible retirees may participate as long as he or she reimburses the Township 100 percent of premium costs plus the two percent 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 percent of premium costs plus the two percent administration fee. After four years, eligible retirees may participate as long as he or she reimburses the Township 100 percent of premium costs plus the two percent 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.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Other Postemployment Benefits (OPEB) (Continued)**

*Funding Policy (continued)*

The Township may contribute the annual required contribution of the employer (“ARC”), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For 2014, the Township made no contributions into a separate plan and elected to continue funding on a pay-as-you-go basis, which amounted to \$91,566 for 2014. These costs are recognized as an expense when claims or premiums are paid.

*Funded Status and Funding Progress*

The funded status of each plan as of January 1, 2008, 2011 and 2014, the most recent actuarial valuation dates, is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	( UAAL )		
				Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	UAAL as a Percentage of Payroll
1/1/2008	\$ -	\$ 2,439,423	0.00%	\$ (2,439,423)	\$ 5,788,249	-42.14%
1/1/2011	\$ -	\$ 4,415,026	0.00%	\$ (4,415,026)	\$ 6,975,290	-63.30%
1/1/2014	\$ -	\$ 4,013,649	0.00%	\$ (4,013,649)	\$ 6,301,858	-63.69%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as *required supplemental information* (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no Plan assets, required disclosures over Plan assets is not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Other Postemployment Benefits (OPEB) (Continued)**

*Annual OPEB Cost and Net OPEB Obligation*

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Standards Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Township's net OPEB obligation:

	<u>OPEB</u>
Annual Required Contribution	\$ 436,614
Interest on Net OPEB Obligation	85,605
Adjustments to Annual Required Contribution	<u>(116,787)</u>
Annual OPEB Cost	405,432
Contributions Made	<u>(91,566)</u>
Increase (Decrease) in Net OPEB Obligation	313,866
Net OPEB Obligation (Asset) at Beginning of Year	<u>1,902,339</u>
Net OPEB Obligation (Asset) at End of Year	<u><u>\$ 2,216,205</u></u>

Actuarial calculations reflect a long-term perspective, and consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The January 1, 2014 actuarial valuation using the following assumptions:

	<u>OPEB</u>
Date of Actuarial Valuation	1/1/2014
Investment Rate of Return	4.5%
Projected Salary Increases Due to Inflation	5.5%
Cost Method	Entry Age Normal
Amortization Method	Level Dollar - Open
Amortization Period	30

Healthcare trend rate: 6.5% in 2014, decreasing .5% per year to 5.5% in 2016.

Rates gradually decrease from 5.3% in 2017 to 4.2% in 2019 and later.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Other Postemployment Benefits (OPEB) (Continued)**

*Annual OPEB Cost and Net OPEB Obligation (Continued)*

Three Year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation (Asset)
12/31/12	505,819	10.6%	1,463,990
12/31/13	498,400	12.0%	1,902,339
12/31/14	405,432	22.6%	2,216,205

**GASB 67 – Financial Reporting for Pension Plans**

The Township has adopted GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25 for its Police Pension Plan. The Statement enhances the Township’s footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under Statement No. 67 that is not discussed as part of the information disclosed previously in this note.

***Plan Administration***

Assets of the Police Pension Plan are overseen by a Police Pension Investment Committee. The Police Pension Investment Committee is comprised of 5 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, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**GASB 67 – Financial Reporting for Pension Plans (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 adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Domestic Equity	36%	46%	41.00%
International Equity	14%	24%	19.00%
Other Equity	3%	13%	8.00%
Fixed Income	25%	35%	30.00%
Cash			2.00%

***Net Pension Liability***

The net pension liability of the Police Plan for the measurement date of December 31, 2014, was as follows:

Total Pension Liability	\$ 28,262,031
Plan Fiduciary Net Position	<u>20,586,991</u>
Net Pension Liability	<u>\$ 7,675,040</u>

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**GASB 67 – Financial Reporting for Pension Plans (Continued)**

***Net Pension Liability (Continued)***

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

Valuation Date	January 1, 2013, projected to December 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization	Period 12 Years
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	8.00% per year compounded annually, net of investment expenses, includes inflation
Projected Salary Increases	5.50% per year, includes inflation
Cost-of-Living Adjustments	None
General Inflation	3.00% per year
Mortality Rate	RP2000 Table. This table does not include projected mortality improvements.

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, 2014.

<u>Asset Class</u>	<u>Percent of Fund at December 31, 2014</u>	<u>Estimated Long-Term Rates of Return</u>
Domestic Equity	36%	7.00%
International Equity	27%	6.00%
Other Equity	6%	7.00%
Fixed Income	29%	2.50%
Cash	2%	0.00%

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**GASB 67 – Financial Reporting for Pension Plans (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 1-percentage-point lower (7.00%), or 1-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	\$ 10,933,905	\$ 7,675,040	\$ 5,014,921

***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 2014 was 3.82%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**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, 2014, \$287,046 represents the balance of these monies held in escrow.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**Due from Component Unit**

In 2005, the Township paid for renovations to the firehouse in Willow Grove. The Willow Grove Volunteer Fire Company, a component unit of the Township, agreed to repay a portion of those costs over a 10-year period to the Township. The total principal amount to be repaid was \$87,000, with annual interest payable at 2.5%. The Fire Company repaid the loan in full to the Township during 2014.

**New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following statements that were implemented by the Township during the year ended December 31, 2014.

GASB Issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* – The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement was implemented for the Police Pension Plan's reporting period ending December 31, 2014 and is previously disclosed in this note.

In November 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. The Township has determined that Statements No. 69 and 70 have no effect on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Township:

GASB Statement No. 68, *Accounting for Pension by State and Local Governmental Employers*, will be effective for the Township for the year ending December 31, 2015. This Statement revised and replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as Statement No. 50, *Pension Disclosures* as they relate to governmental pension plans that are administered as trusts or equivalent arrangements that meet certain criteria. The objective of this Statement is to establish standards for governmental employer recognition, measurement and presentation of information about their liability for governmental defined benefit pension plans. This Statement will have a significant impact by requiring acceleration of the recognition of the pension liability and added disclosures. Liabilities would be recorded based on actuarial liabilities, net of actuarial assets, instead of the current requirement to only record a liability based on the deficiency of annual required contributions. If the Township were to adopt this statement as of December 31, 2014, the liability for the Plans would be in excess of \$9,000,000.

**UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**New Accounting Pronouncements (continued)**

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* “which resolves transition issues in GASB Statement No.68, “Accounting and Financial Reporting for Pensions.” This statement eliminates a potential source of understatement of restated net position and expense in a government’s first year of implementing Statement No. 68. To correct this potential understatement, Statement No. 71 requires that when a government is transitioning to the new pension standards, it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. Statement No. 71 is effective concurrent with Statement No. 68 for the year ending December 31, 2015.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. The Township has not yet completed the process of evaluating the impact of GASB 72 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68,* which will be effective for the Township for the year ending December 31, 2016.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* which will be effective for the Township for the year ending December 31, 2017. This Statement applies to OPEB Plans and basically parallels GASB Statement No.67 and replaces GASB Statement No. 45.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which will be effective for the Township for the year ending December 31, 2018. This Statement applies to government employers who provide OPEB Plans to their employees and basically parallels GASB Statement No. 68 and replaces GASB Statement No. 45. The Township anticipates this Statement to result in a significant liability and expense to be recognized in its financial statements.

**UPPER MORELAND TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	General Fund			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Real Estate	\$ 5,773,745	\$ 5,773,745	\$ 5,830,827	\$ 57,082
Transfer	450,000	450,000	443,586	(6,414)
Earned Income and Occupational	3,533,000	3,533,000	3,710,749	177,749
Business and Mercantile	5,003,325	5,003,325	4,607,836	(395,489)
Fees, Licenses and Permits	575,250	575,250	612,638	37,388
Investment Income and Rent	20,000	20,000	16,657	(3,343)
Intergovernmental Revenues	651,400	651,400	776,394	124,994
Fines and Forfeitures	253,000	253,000	206,969	(46,031)
Charges for Services	2,316,000	2,316,000	2,290,547	(25,453)
Other	20,000	20,000	275,288	255,288
Total Revenues	<u>18,595,720</u>	<u>18,595,720</u>	<u>18,771,491</u>	<u>175,771</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,002,151	2,002,151	2,021,420	19,269
Public Safety	5,754,964	5,754,964	5,872,516	117,552
Sanitation	1,674,460	1,674,460	1,374,704	(299,756)
Highways and Roads	2,074,346	2,074,346	2,215,013	140,667
Culture and Recreation	2,011,657	2,011,657	1,998,236	(13,421)
Miscellaneous:				
Employee Benefits	4,072,937	4,072,937	3,909,486	(163,451)
Insurance	654,719	654,719	587,405	(67,314)
Other	738,565	738,565	731,674	(6,891)
Debt Service:				
Principal			27,742	27,742
Interest			2,796	2,796
Total Expenditures	<u>18,983,799</u>	<u>18,983,799</u>	<u>18,740,992</u>	<u>(242,807)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(388,079)	(388,079)	30,499	418,578
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	888,079	888,079	-	(888,079)
Operating Transfers Out	(500,000)	(500,000)	(500,000)	-
Total Other Financing Sources (Uses)	<u>388,079</u>	<u>388,079</u>	<u>(500,000)</u>	<u>(888,079)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES)</b>	-	-	(469,501)	(469,501)
Fund Balance - Beginning of Year	-	-	6,275,475	6,275,475
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,805,974</u>	<u>\$ 5,805,974</u>

**UPPER MORELAND TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION – NON-UNIFORM PENSION PLAN  
DECEMBER 31, 2014**

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Assets	( AAL ) Actuarial Accrued Liability	Percentage Funded	Funded ( Unfunded ) Actuarial Accrued Liability	Projected Annual Covered Payroll	Funded ( Unfunded ) AAL as a Percentage of Payroll
1/1/2007	\$ 13,400,992	\$ 13,090,222	102.37%	\$ 310,770	\$ 3,756,193	8.27%
1/1/2009	15,226,948	14,899,189	102.20%	327,759	4,317,883	7.59%
1/1/2011	16,858,695	17,255,510	97.70%	(396,815)	4,453,223	-8.91%
1/1/2013	18,542,551	20,059,291	92.44%	(1,516,740)	4,327,870	-35.05%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2007	\$ 221,248	\$ 221,368	100.1%
2008	226,273	226,333	100.0%
2009	275,494	275,494	100.0%
2010	297,001	297,001	100.0%
2011	339,020	339,020	100.0%
2012	350,533	350,533	100.0%
2013	360,989	360,989	100.0%
2014	369,360	369,440	100.0%

**UPPER MORELAND TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION – FIREFIGHTERS PENSION PLAN  
DECEMBER 31, 2014**

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Assets	( AAL ) Actuarial Accrued Liability	Percentage Funded	Funded ( Unfunded ) Actuarial Accrued Liability	Projected Annual Covered Payroll	Funded ( Unfunded ) AAL as a Percentage of Payroll
1/1/2007	\$ 676,901	\$ 695,468	97.33%	\$ (18,567)	\$ 276,063	-6.73%
1/1/2009	902,929	842,807	107.13%	60,122	355,271	16.92%
1/1/2011	1,175,876	1,292,047	91.01%	(116,171)	404,841	-28.70%
1/1/2013	1,490,072	1,811,350	82.26%	(321,278)	448,662	-71.61%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2007	\$ 46,534	\$ 46,534	100.0%
2008	48,824	48,824	100.0%
2009	61,296	61,296	100.0%
2010	68,665	68,665	100.0%
2011	63,958	63,958	100.0%
2012	69,672	69,672	100.0%
2013	84,152	84,152	100.0%
2014	87,426	87,426	100.0%

**UPPER MORELAND TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION – POLICE PENSION PLAN  
DECEMBER 31, 2014**

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	( UAAL ) Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	UAAL as a Percentage of Payroll
1/1/2007	\$ 16,784,680	\$ 19,031,561	88.19%	\$ 2,246,881	\$ 2,877,383	78.09%
1/1/2009	15,009,495	21,970,691	68.32%	6,961,196	3,231,008	215.45%
1/1/2011	17,432,405	24,559,613	70.98%	7,127,208	2,900,585	245.72%
1/1/2013	17,638,913	26,457,706	66.67%	8,818,793	3,065,901	287.64%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2007	\$ 352,524	\$ 352,524	100.0%
2008	351,031	351,031	100.0%
2009	623,724	623,724	100.0%
2010	565,515	565,515	100.0%
2011	940,703	940,703	100.0%
2012	928,663	928,663	100.0%
2013	1,266,438	1,266,438	100.0%
2014	1,231,728	1,231,728	100.0%

**UPPER MORELAND TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN  
DECEMBER 31, 2014**

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	( UAAL )		
				Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	UAAL as a Percentage of Payroll
1/1/2008	\$ -	\$ 2,439,423	0.00%	\$ (2,439,423)	\$ 5,788,249	-42.14%
1/1/2011	\$ -	\$ 4,415,026	0.00%	\$ (4,415,026)	\$ 6,975,290	-63.30%
1/1/2014	\$ -	\$ 4,013,649	0.00%	\$ (4,013,649)	\$ 6,301,858	-63.69%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2009	\$ 295,372	\$ 17,732	6.0%
2010	295,372	36,398	12.3%
2011	522,397	34,091	6.5%
2012	522,397	53,479	10.2%
2013	522,397	60,051	11.5%
2014	436,614	91,574	21.0%

**UPPER MORELAND TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION –  
POLICE PENSION PLAN – SCHEDULE OF CHANGES IN THE EMPLOYER’S  
NET PENSION LIABILITY AND RELATED RATIOS CALCULATED IN ACCORDANCE  
WITH GASB 67  
DECEMBER 31, 2014**

Total Pension Liability		
Service Cost		\$ 560,031
Interest		2,148,391
Benefit Payments		(1,804,975)
Difference Between Actual and Expected, if any		-
Assumption Changes		-
Net Change in Total Pension Liability		<u>903,447</u>
Total Pension Liability - Beginning		<u>27,358,584</u>
Total Pension Liability - Ending	(a)	<u><u>\$ 28,262,031</u></u>
Plan Fiduciary Net Position		
Contribution - Employer and State Aid		1,231,728
Contribution - Member		177,730
Other Receipts		329,898
Net Investment Income		698,505
Benefit Payments		(1,804,975)
Administrative Expense		<u>(2,400)</u>
Net Change in Plan Fiduciary Net Position		630,486
Plan Fiduciary Net Position - Beginning		<u>19,956,505</u>
Plan Fiduciary Net Position - Ending	(b)	<u><u>\$ 20,586,991</u></u>
Net Pension Liability (a-b)		<u><u>\$ 7,675,040</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		72.84%
Covered Employee Payroll		\$ 3,481,071

**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 67  
DECEMBER 31, 2014**

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
2014	\$ 1,231,728	\$ 1,231,728	\$ -	\$ 3,481,071	35.38%

Schedule of Investment Returns\*

Actual Money Weighted Rate of Return, Net of Investment Expense 3.82%

Schedule of the Employer's Net Pension Liability\*

Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 28,262,031	\$ 20,586,991	\$ 7,675,040	72.84%	\$ 3,481,071	220.48%

**UPPER MORELAND TOWNSHIP**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	Debt Service	Capital Reserve	Bond Issue	Highway Aid	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 173,757	\$ 232,371	\$ 337,022	\$ 50,837	\$ 793,987
Receivables	18,610	-	-	1,535	20,145
Due from Other Funds	-	37,768	-	-	37,768
Total Assets	<u>\$ 192,367</u>	<u>\$ 270,139</u>	<u>\$ 337,022</u>	<u>\$ 52,372</u>	<u>\$ 851,900</u>
<b>LIABILITIES</b>					
Unearned Revenues	\$ 3,939	-	-	-	\$ 3,939
Total Liabilities	3,939	-	-	-	3,939
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	13,502	-	-	-	13,502
Total Deferred Inflows of Resources	13,502	-	-	-	13,502
<b>FUND BALANCES</b>					
Restricted for:					
Public Works	-	-	-	52,372	52,372
Capital Projects	-	-	337,022	-	337,022
Debt Service	174,926	-	-	-	174,926
Assigned					
Capital Additions	-	270,139	-	-	270,139
Total Fund Balances	<u>174,926</u>	<u>270,139</u>	<u>337,022</u>	<u>52,372</u>	<u>834,459</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 192,367</u>	<u>\$ 270,139</u>	<u>\$ 337,022</u>	<u>\$ 52,372</u>	<u>\$ 851,900</u>

**UPPER MORELAND TOWNSHIP  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	Debt Service	Capital Reserve	Bond Issue	Highway Aid	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Taxes:					
Real Estate	\$ 633,661	\$ -	\$ -	\$ -	\$ 633,661
Investment Income and Rent	546	69	49	40	704
Intergovernmental Revenues	-	182,868	-	505,917	688,785
Other	9,699	90,233	-	31,672	131,604
Total Revenues	<u>643,906</u>	<u>273,170</u>	<u>49</u>	<u>537,629</u>	<u>1,454,754</u>
<b>EXPENDITURES</b>					
Current:					
General Government	-	-	115,271	-	115,271
Culture and Recreation	-	153,985	-	-	153,985
Highways and Roads	-	695,328	-	603,462	1,298,790
Debt Service:					
Principal	529,911	-	-	-	529,911
Interest	60,863	-	-	-	60,863
Fiscal Agent Fees	299	-	-	-	299
Total Expenditures	<u>591,073</u>	<u>849,313</u>	<u>115,271</u>	<u>603,462</u>	<u>2,159,119</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	52,833	(576,143)	(115,222)	(65,833)	(704,365)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	-	400,000	-	100,000	500,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>100,000</u>	<u>500,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES)</b>	52,833	(176,143)	(115,222)	34,167	(204,365)
Total Fund Balance - Beginning of Year	<u>122,093</u>	<u>446,282</u>	<u>452,244</u>	<u>18,205</u>	<u>1,038,824</u>
<b>TOTAL FUND BALANCE - END OF YEAR</b>	<u>\$ 174,926</u>	<u>\$ 270,139</u>	<u>\$ 337,022</u>	<u>\$ 52,372</u>	<u>\$ 834,459</u>

**UPPER MORELAND TOWNSHIP**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**DECEMBER 31, 2014**

	Agency Fund			Total Fiduciary Funds	
	Police Pension	Escrows	Pension		Total
<b>ASSETS</b>					
Current Assets					
Cash	\$ 349,977	\$ 287,046	\$ 133,683	\$ 420,729	\$ 770,706
Receivables		8,463		8,463	8,463
Accrued Interest	3	-	-	-	3
Investments at Fair Value					
Mutual Funds	<u>20,237,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,237,011</u>
Total Current Assets	<u>20,586,991</u>	<u>295,509</u>	<u>133,683</u>	<u>429,192</u>	<u>21,016,183</u>
<b>LIABILITIES</b>					
Pension Payable	-	-	133,683	133,683	133,683
Accounts Payable		8,463		8,463	8,463
Escrows Payable	<u>-</u>	<u>287,046</u>	<u>-</u>	<u>287,046</u>	<u>287,046</u>
Total Current Liabilities	<u>-</u>	<u>295,509</u>	<u>133,683</u>	<u>429,192</u>	<u>429,192</u>
<b>NET POSITION</b>					
Net Position Held in Trust for Pension Benefits	<u><u>\$ 20,586,991</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,586,991</u></u>

**UPPER MORELAND TOWNSHIP**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ESCROW FUND</b>				
ASSETS				
Cash	\$ 153,988	\$ 386,205	\$ 253,147	\$ 287,046
Accounts Receivable	<u>          -</u>	<u>          8,463</u>	<u>          -</u>	<u>          8,463</u>
TOTAL ASSETS	<u><u>\$ 153,988</u></u>	<u><u>\$ 394,668</u></u>	<u><u>\$ 253,147</u></u>	<u><u>\$ 295,509</u></u>
LIABILITIES				
Escrow Payable	\$ 153,988	\$ 386,205	\$ 253,147	\$ 287,046
Accounts Payable	<u>          -</u>	<u>          8,463</u>	<u>          -</u>	<u>          8,463</u>
TOTAL LIABILITIES	<u><u>\$ 153,988</u></u>	<u><u>\$ 394,668</u></u>	<u><u>\$ 253,147</u></u>	<u><u>\$ 295,509</u></u>
 <b>PENSION AGENCY FUND</b>				
ASSETS				
Cash	<u><u>\$ 117,805</u></u>	<u><u>\$ 15,878</u></u>	<u><u>          -</u></u>	<u><u>\$ 133,683</u></u>
LIABILITIES				
Pension Payable	<u><u>\$ 117,805</u></u>	<u><u>\$ 15,878</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,683</u></u>