

UPPER MORELAND TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2012



UPPER MORELAND TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Upper Moreland Township, Pennsylvania

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 as of and for the year ended December 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### ***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.

### ***Auditor's 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 auditor's 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, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

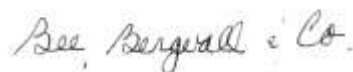
### ***Other-Matters***

### ***Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and historical trend information on pages 4 through 14 and 57 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 Upper Moreland Township, Montgomery County, Pennsylvania's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

September 27, 2013

## UPPER MORELAND TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

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, 2012.

#### **FINANCIAL HIGHLIGHTS**

##### **Entity-wide Financial Statements (Full Accrual)**

The assets of Upper Moreland Township exceeded its liabilities at the close of fiscal year 2012 by \$36.9 million (total net position). Of this amount, \$4.1 million in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Net position decreased by \$274 thousand from the prior year.

##### **Fund Financial Statements (Modified Accrual)**

At December 31, 2012, the Township's governmental funds reported combined ending fund balances of \$6.3 million, an increase of \$685 thousand in comparison with the prior year, which resulted primarily from an increase in the General Fund.

During the year, the general fund had total revenues of \$18.6 million generated in tax and other revenues, compared with total expenditures of \$17.9 million, resulting in a surplus of \$730 thousand before transfers and other financing sources. After transfers and proceeds from the sale of fixed assets, there was a surplus of revenues over expenditures of \$703 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 \$381 thousand under the amended budget, and revenues exceeded the amended budget by \$553 thousand. In 2011, expenditures came in \$302 thousand over the amended budget, and revenues exceeded expectations 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 18. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

## UPPER MORELAND TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

#### **Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 15. 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 and liabilities 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 and liabilities - 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 Fire Company Active Crew. Although legally separate, these "component units" are important because the Township is financially accountable for them.

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

The fund financial statements begin on page 18 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law. The Township's governmental funds use the following accounting approach.

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

## UPPER MORELAND TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. 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**

Effective January 1, 2003, the Township implemented all model portions of 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 life 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.

#### **THE TOWNSHIP AS A WHOLE**

The Statement of Net Position presents information on all of Upper Moreland Township's assets and liabilities, with the difference between the two 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**

	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS				
Current and other assets	\$ 7,466,461	\$ 7,002,059	\$ 298,431	\$ 301,440
Capital assets	<u>36,856,775</u>	<u>37,333,261</u>	<u>508,118</u>	<u>448,332</u>
Total Assets	<u>44,323,236</u>	<u>44,335,320</u>	<u>806,549</u>	<u>749,772</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized deferred loss/refunding	<u>(57,281)</u>	<u>-</u>	<u>-</u>	<u>-</u>

- Continued -



UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

**Table 1 (Continued)**  
**Statement of Net Position**

	Governmental Activities		Component Units	
	2012	2011	2012	2011
LIABILITIES				
Long-term liabilities	\$ 6,822,512	\$ 6,702,451	\$ -	\$ -
Other liabilities	448,359	415,628	9,772	10,802
Total Liabilities	7,270,871	7,118,079	9,772	10,802
DEFERRED INFLOWS OF RESOURCES				
Unavailable rev.-special assessments	52,055	-	-	-
NET POSITION				
Invested in capital assets, net of related debt	31,807,233	32,002,872	508,118	448,332
Restricted	1,072,180	1,168,853	4,625	21,725
Unrestricted (restated)	4,063,616	4,045,516	284,034	268,913
Total Net Position	\$ 36,943,029	\$ 37,217,241	\$ 796,777	\$ 738,970

The Township's combined net position, which is the Township's bottom line, decreased \$274 thousand from \$37.2 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 - were \$4.1 million.

The Net Position of the component units, governmental type, increased to \$797 thousand in 2012 from \$739 thousand in 2011. The Library's net position increased \$49 thousand while the Fire Company's net position increased \$9 thousand in 2012.

***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 invested in capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

**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 invested in capital assets, net of debt.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

*Normal Impacts (Continued)*

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

**Reduction of Capital Assets through Depreciation** - which will reduce capital assets and invested in capital assets, net of debt.

*Current Year Impacts*

The Statement of Activities on page 16 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 vacation leave).

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

**Table 2**  
**Changes in Net Position**

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES				
Program revenues:				
Charges for services	\$ 2,501,149	\$ 2,661,726	\$ 52,207	\$ 51,529
Operating grants and contributions	1,222,713	1,738,533	92,973	108,661
Capital grants and contributions	448,825	-	-	-
General revenues:				
Property taxes	5,393,410	6,008,431	-	-
Other taxes	8,030,887	8,528,319	-	-
Grants and contributions not restricted to specific programs	39,872	573,059	1,037,955	850,644
Investment income	15,700	28,863	2,342	2,698
Miscellaneous/other	794,039	634,174	5,219	3,699
TOTAL REVENUES	<u>18,446,595</u>	<u>20,173,105</u>	<u>1,190,696</u>	<u>1,017,231</u>

- Continued -

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

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**Table 2**  
**Changes in Net Position (Continued)**

	Primary Government		Component Units	
	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
EXPENSES				
Administrative	6,870,019	7,123,818	-	-
Police and emergency services	5,741,208	6,030,627	139,599	135,888
Highway and roads	2,993,559	3,125,800	-	-
Sanitation	1,554,171	1,574,062	-	-
Culture and recreation	1,561,850	2,355,745	993,290	777,440
TOTAL EXPENSES	18,720,807	20,210,052	1,132,889	913,328
CHANGE IN NET POSITION	(274,212)	(36,947)	57,807	103,903
NET POSITION - BEGINNING	37,217,241	37,254,188	738,970	635,068
NET POSITION - ENDING (restated)	\$ 36,943,029	\$ 37,217,241	\$ 796,777	\$ 738,971

***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, block grant etc.) 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.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

**Expenses**

**Introduction of New Programs** - within the functional expense categories (Public Safety, Public Works, Refuse, 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 and range position 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.

***Current Year Impacts***

**Governmental Activities**

Sources of revenues for the fiscal year 2012 are comprised of the following items:

Governmental Activities – Revenues by Source  
For the Year Ended December 31, 2012

REVENUES	<u>2012</u>	<u>% of Total Revenues</u>
Program revenues:		
Charges for services	\$ 2,501,149	13.6
Operating grants and contributions	1,222,713	6.6
Capital grants and contributions	448,825	2.5
General revenues:		
Property taxes	5,393,410	29.2
Other taxes	8,030,887	43.5
Grants and contributions not restricted to specific programs	39,872	0.2
Investment income	15,700	0.1
Miscellaneous/other	794,039	4.3
TOTAL REVENUES	<u>\$ 18,446,595</u>	<u>100.0</u>

The greatest portion of revenue was generated from other taxes at \$8.0 million (43.5 percent), which included several large tax sources such as earned income tax at \$3.1 million and business privilege tax at \$4.9 million. The next largest source of revenue was property taxes at \$5.4 million (29.2 percent) and the charges for services at \$2.5 million (13.6 percent). Together, these three areas approximate 86.3 percent of the Township's revenue base.

UPPER MORELAND TOWNSHIP  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012

Governmental Activities – Expenses by Function  
For the Year Ended December 31, 2012

	<u>2012</u>	<u>Revenues</u>
EXPENSES		
Administrative	\$ 6,870,019	36.7
Police and emergency services	5,741,208	30.7
Highway and roads	2,993,559	16.0
Sanitation	1,554,171	8.3
Culture and recreation	<u>1,561,850</u>	<u>8.3</u>
TOTAL EXPENSES	<u>\$ 18,720,807</u>	<u>100.0</u>

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

**Table 3**  
**Governmental Activities**

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
EXPENSES				
Administrative	\$ 6,870,019	\$ 7,123,818	\$ (6,256,933)	\$ (6,188,954)
Police and emergency services	5,741,208	6,030,627	(4,891,524)	(4,999,710)
Highway and roads	2,993,559	3,125,800	(2,122,727)	(2,483,496)
Sanitation	1,554,171	1,574,062	(154,749)	(108,830)
Culture and recreation	<u>1,561,850</u>	<u>2,355,745</u>	<u>(1,122,187)</u>	<u>(2,028,803)</u>
TOTAL EXPENSES	<u>\$ 18,720,807</u>	<u>\$ 20,210,052</u>	<u>\$ (14,548,120)</u>	<u>\$ (15,809,793)</u>

**General Fund Budgetary Highlights**

The government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending allowed the General Fund expenditures to come in slightly under budget by \$381 thousand. This under budget amount was mainly the result of expenses in public safety being less than anticipated. Revenues were \$553 thousand over budget. The schedule on page 22 presents the Township's budget figures and actual figures maintained on the modified accrual basis of accounting.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2012, the Township had \$36.9 million invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, bridges and sewer lines. (See Table 4 below.)

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

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 4,019,797	\$ -	\$ -	\$ 4,019,797
Total capital assets, not being depreciated	<u>4,019,797</u>	<u>-</u>	<u>-</u>	<u>4,019,797</u>
Capital assets, being depreciated:				
Buildings and improvements	3,442,253	-	-	3,442,253
Machinery, vehicles and equipment	8,311,050	56,705	(60,876)	8,306,879
Infrastructure	45,197,356	713,914	-	45,911,270
Total capital assets being depreciated	<u>56,950,659</u>	<u>770,619</u>	<u>(60,876)</u>	<u>57,660,402</u>
Less accumulated depreciation for:				
Buildings and improvements	1,717,638	65,570	-	1,783,208
Machinery, vehicles and equipment	5,965,509	399,104	(60,876)	6,303,737
Infrastructure	15,954,048	782,431	-	16,736,479
Total accumulated depreciation	<u>23,637,195</u>	<u>1,247,105</u>	<u>(60,876)</u>	<u>24,823,424</u>
Total capital assets, being depreciated, net	<u>33,313,464</u>	<u>(476,486)</u>	<u>-</u>	<u>32,836,978</u>
Governmental-type activities capital assets, net	<u>\$ 37,333,261</u>	<u>\$ (476,486)</u>	<u>\$ -</u>	<u>\$ 36,856,775</u>

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	\$ 568,838	\$ 17,349	\$ -	\$ 586,187
Collection	1,534,715	80,096	54,885	1,559,926
Total capital assets being depreciated	<u>2,103,553</u>	<u>97,445</u>	<u>54,885</u>	<u>2,146,113</u>
Less accumulated depreciation for:				
Furniture and equipment	510,761	24,565	-	535,326
Collection	1,144,460	13,094	54,885	1,102,669
Total accumulated depreciation	<u>1,655,221</u>	<u>37,659</u>	<u>54,885</u>	<u>1,637,995</u>
Total capital assets, being depreciated, net	<u>\$ 448,332</u>	<u>\$ 59,786</u>	<u>\$ -</u>	<u>\$ 508,118</u>

**Debt**

At year end, the Township had \$6.7 million in bonds and notes outstanding versus \$7.0 million last year.

**Table 6**  
**Outstanding Debt at Year-End**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 4,975,000	\$ -	\$ (4,975,000)	\$ -	\$ -
Discounts	(3,676)	-	3,676	-	-
Gain on refunding	20,087	-	(20,087)	-	-
Premiums	47,235	-	(47,235)	-	-
Total bonds payable	<u>5,038,646</u>	<u>-</u>	<u>(5,038,646)</u>	<u>-</u>	<u>-</u>
Notes payable	227,782	5,210,000	(481,188)	4,956,594	522,167
Discounts	-	(14,328)	1,433	(12,895)	-
Premiums	-	26,824	(2,682)	24,142	-
Total notes payable	<u>227,782</u>	<u>5,222,496</u>	<u>(482,437)</u>	<u>4,967,841</u>	<u>522,167</u>
Capital lease	131,283	-	(25,440)	105,843	26,566
OPEB liability	1,011,651	452,340	-	1,463,991	-
Compensated absences	293,089	-	(8,252)	284,837	-
Governmental activity					
Long-term liabilities	<u>\$ 6,702,451</u>	<u>\$ 5,674,836</u>	<u>\$ (5,554,775)</u>	<u>\$ 6,822,512</u>	<u>\$ 548,733</u>

## UPPER MORELAND TOWNSHIP

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

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

During 2013, it is expected that the real estate market will see some improvement which will result in increased transfer taxes and an increase in assessed valuation. Earned income and business taxes will continue to be flat with modest increases possible. The Township has budgeted \$500,000 for capital equipment purchases, in 2013 which will be funded by a transfer from fund balance. Real estate taxes will be increased 7.2% in order to fund the current level of services provided to residents.

#### **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, 2012

	<u>Primary Government</u>		
	<u>Governmental</u>		<u>Component Units</u>
	<u>Activities</u>	<u>Public Library</u>	<u>Fire Company</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,181,993	\$ 42,126	\$ 129,655
Investments	240,000	125,000	-
Accounts and other receivables	1,926,486	25	-
Due from other governments	19,385	-	-
Restricted deposit	-	1,625	-
Capital assets not being depreciated:			
Land	4,019,797	-	-
Construction-in-progress	-	-	-
Other capital assets (net of accumulated depreciation)	32,836,978	508,118	-
Net pension asset	98,597	-	-
Total Assets	<u>\$ 44,323,236</u>	<u>\$ 676,894</u>	<u>\$ 129,655</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	\$ (57,281)	\$ -	\$ -
Total deferred outflows	<u>(57,281)</u>	<u>-</u>	<u>-</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	424,926	9,772	-
Accrued interest payable	23,433	-	-
Unearned revenue	-	-	-
Non-current liabilities:			
Due within one year	548,733	-	-
Due after one year	6,273,779	-	-
Total Liabilities	<u>7,270,871</u>	<u>9,772</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - special assessments	52,055	-	-
Total deferred inflows	<u>52,055</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	31,807,233	508,118	-
Restricted for:			
Public safety	1,275	-	-
Public works	156,866	-	-
Open space	59,530	-	-
Capital projects	781,329	-	-
Debt service	73,180	-	-
Culture and recreation	-	4,625	-
Unrestricted	4,063,616	154,379	129,655
Total Net Position	<u>\$ 36,943,029</u>	<u>\$ 667,122</u>	<u>\$ 129,655</u>

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

# UPPER MORELAND TOWNSHIP

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

		Program Revenues			Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT	<u>Expenses</u>				
Governmental activities:					
General government	\$ 6,549,698	\$ 87,398	\$ 525,688	\$ -	\$ (5,936,612)
Public safety	5,741,208	650,743	198,941	-	(4,891,524)
Sanitation	1,554,171	1,356,910	42,512	-	(154,749)
Highway and roads	2,993,559	56,833	455,572	358,427	(2,122,727)
Culture and recreation	1,561,850	349,265	-	90,398	(1,122,187)
Interest	320,321	-	-	-	(320,321)
TOTAL PRIMARY GOVERNMENT	<u>\$ 18,720,807</u>	<u>\$ 2,501,149</u>	<u>\$ 1,222,713</u>	<u>\$ 448,825</u>	<u>(14,548,120)</u>
COMPONENT UNITS					
Public library	\$ 993,290	\$ 37,807	\$ 77,954	-	-
Fire company	139,599	14,400	15,019	-	-
TOTAL COMPONENT UNITS	<u>\$ 1,132,889</u>	<u>\$ 52,207</u>	<u>\$ 92,973</u>	<u>\$ -</u>	<u>-</u>
General Revenues:					
Taxes:					
					4,897,419
Real estate					495,991
Transfer					3,108,560
Earned income and occupational					4,922,327
Business and mercantile					
Grants and contributions not					39,872
restricted to specific programs					15,700
Investment earnings					5,760
Gain (loss) on sale of capital assets					788,279
Miscellaneous					<u>14,273,908</u>
Total General Revenues					
					(274,212)
Change in Net Position					
					37,217,241
Net Position - Beginning (as restated)					
Net Position - Ending					<u>\$ 36,943,029</u>

Net (Expense) Revenue and Changes in Net Position	
Governmental-type Component Units	
Library	Fire Company
\$ -	\$ -
-	-
-	-
-	-
-	-
-	-
-	-
(877,529)	-
-	(110,180)
(877,529)	(110,180)
-	-
-	-
-	-
-	-
-	-
924,189	113,766
2,099	243
-	-
-	5,219
926,288	119,228
48,759	9,048
618,363	120,607
\$ 667,122	\$ 129,655

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

UPPER MORELAND TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2012

	General	Debt Service	Capital Reserve	Bond Issue	Governmental Fund Highway Aid	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 4,256,424	\$ 71,687	\$ 243,872	\$ 537,457	\$ 72,553	\$ 5,181,993
Investments	240,000	-	-	-	-	240,000
Receivables	1,454,994	25,856	-	-	1,535	1,482,385
Due from other governments	-	19,385	-	-	-	19,385
Total Assets	<u>\$ 5,951,418</u>	<u>\$ 116,928</u>	<u>\$ 243,872</u>	<u>\$ 537,457</u>	<u>\$ 74,088</u>	<u>\$ 6,923,763</u>
<u>LIABILITIES</u>						
Accounts payable and accrued wages	\$ 424,926	\$ -	\$ -	\$ -	\$ -	\$ 424,926
Total Liabilities	<u>424,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,926</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	96,301	16,159	-	-	-	112,460
Unavailable revenue - special assessments	24,466	27,589	-	-	-	52,055
Total deferred inflows of resources	<u>120,767</u>	<u>43,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,515</u>
<u>FUND BALANCES</u>						
Restricted for:						
Public safety	1,275	-	-	-	-	1,275
Public works	82,778	-	-	-	74,088	156,866
Open space	59,530	-	-	-	-	59,530
Capital projects	-	-	243,872	537,457	-	781,329
Debt service	-	73,180	-	-	-	73,180
Unassigned	<u>5,262,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,262,142</u>
Total Fund Balances	<u>5,405,725</u>	<u>73,180</u>	<u>243,872</u>	<u>537,457</u>	<u>74,088</u>	<u>6,334,322</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,951,418</u>	<u>\$ 116,928</u>	<u>\$ 243,872</u>	<u>\$ 537,457</u>	<u>\$ 74,088</u>	<u>\$ 6,923,763</u>

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

UPPER MORELAND TOWNSHIP

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

For the Year Ended December 31, 2012

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

Total fund balances--total governmental funds (page 18)		\$ 6,334,322
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.		
Cost of capital assets	61,680,201	
Accumulated depreciation	<u>(24,823,426)</u>	36,856,775
Assets in the statement of net position that do not provide current financial resources are not reported as assets in the governmental funds.		98,597
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.		556,561
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.		
Bond discount	12,895	
Bond premium	(24,142)	
Deferred loss on refunding	<u>(57,281)</u>	(68,528)
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	(4,956,594)	
Capital leases	(105,843)	
Interest payable	(23,433)	
Post-employment benefits	(1,463,991)	
Compensated absences	<u>(284,837)</u>	<u>(6,834,698)</u>
Net Position of Governmental Activities (page 15)		<u>\$ 36,943,029</u>

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

# UPPER MORELAND TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

	General	Debt Service	Capital Reserve	Bond Issue	Other Governmental Fund Highway Aid	Total Governmental Funds
<b>Revenues</b>						
Taxes:						
Real estate	\$ 5,317,267	\$ 626,759	\$ -	\$ -	\$ -	\$ 5,944,026
Transfer	495,991	-	-	-	-	495,991
Earned income and occupational	3,390,839	-	-	-	-	3,390,839
Business and mercantile	4,922,327	-	-	-	-	4,922,327
Fees, licenses and permits	565,183	-	-	-	-	565,183
Investment income and rent	14,000	1,438	63	126	73	15,700
Intergovernmental revenues	1,241,038	-	-	-	501,499	1,742,537
Fines and forfeitures	249,493	-	-	-	-	249,493
Charges for services	2,156,803	-	-	-	-	2,156,803
Other	226,871	9,006	50,945	-	-	286,822
Total Revenues	<u>18,579,812</u>	<u>637,203</u>	<u>51,008</u>	<u>126</u>	<u>501,572</u>	<u>19,769,721</u>
<b>Expenditures</b>						
Current:						
General government	1,813,285	-	-	-	-	1,813,285
Public safety	5,384,972	-	-	-	-	5,384,972
Sanitation	1,471,177	-	-	-	-	1,471,177
Highways and roads	2,049,052	-	-	-	586,007	2,635,059
Culture and recreation	1,995,924	-	-	-	-	1,995,924
Miscellaneous	5,105,691	-	-	-	-	5,105,691
Debt service:						
Principal	25,440	481,188	-	-	-	506,628
Interest	5,195	106,472	7,201	-	-	118,868
Fiscal agent fees	-	1,308	99,337	-	-	100,645
Capital projects	-	-	64,829	-	-	64,829
Total Expenditures	<u>17,850,736</u>	<u>588,968</u>	<u>171,367</u>	<u>-</u>	<u>586,007</u>	<u>19,197,078</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>729,076</u>	<u>48,235</u>	<u>(120,359)</u>	<u>126</u>	<u>(84,435)</u>	<u>572,643</u>
<b>Other Financing Sources (Uses)</b>						
Issuance of refunding bonds	-	-	5,210,000	-	-	5,210,000
Bond premiums and discounts	-	-	12,496	-	-	12,496
Payment to refunded bond escrow agent	-	-	(5,115,958)	-	-	(5,115,958)
Proceeds from sale of capital assets	-	-	5,760	-	-	5,760
Operating transfers in	-	-	26,000	-	-	26,000
Operating transfers out	(26,000)	-	-	-	-	(26,000)
Total Other Financing Sources (Uses)	<u>(26,000)</u>	<u>-</u>	<u>138,298</u>	<u>-</u>	<u>-</u>	<u>112,298</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>703,076</u>	<u>48,235</u>	<u>17,939</u>	<u>126</u>	<u>(84,435)</u>	<u>684,941</u>
Total Fund Balance - Beginning	<u>4,702,649</u>	<u>24,945</u>	<u>225,933</u>	<u>537,331</u>	<u>158,523</u>	<u>5,649,381</u>
Total Fund Balance - Ending	<u>\$ 5,405,725</u>	<u>\$ 73,180</u>	<u>\$ 243,872</u>	<u>\$ 537,457</u>	<u>\$ 74,088</u>	<u>\$ 6,334,322</u>

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

UPPER MORELAND TOWNSHIP

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

For the Year Ended December 31, 2012

Amounts reported for governmental activities in the statement of activities (pages 16-17)  
are different because:

Net change in fund balances--total governmental funds (page 20)		\$	684,941
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	770,619		
Depreciation expense	<u>(1,247,105)</u>		(476,486)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(336,553)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and 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.			
New note issue	(5,210,000)		
New note premiums and discounts	(12,496)		
Lease payments	25,440		
Repayment of bonds	4,975,000		
Repayment of notes	481,188		
Bond discount amortization	(1,433)		
Bond premium amortization	2,682		
Loss on refunding	6,365		
Interest expense	<u>31,228</u>		297,974
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.			
Compensated absences	8,252		
Post-employment benefits	<u>(452,340)</u>		(444,088)
Change in Net Position of Governmental Activities (page 16)		\$	<u>(274,212)</u>

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

UPPER MORELAND TOWNSHIP

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

For the Year Ended December 31, 2012

	GENERAL FUND			Variance with
	Budgeted Amounts			Final Budget -
	Original	Final	ACTUAL	Over (Under)
Revenues				
Taxes:				
Real estate	\$ 5,329,740	\$ 5,329,740	\$ 5,317,267	\$ (12,473)
Transfer	330,000	330,000	495,991	165,991
Earned income and occupational	3,082,000	3,371,000	3,390,839	19,839
Business and mercantile	4,835,000	4,835,000	4,922,327	87,327
Fees, licenses and permits	534,450	534,450	565,183	30,733
Investment income and rent	30,000	30,000	14,000	(16,000)
Intergovernmental revenues	563,515	886,515	1,241,038	354,523
Fines and forfeitures	268,000	268,000	249,493	(18,507)
Charges for services	2,146,000	2,170,000	2,156,803	(13,197)
Other	109,000	272,000	226,871	(45,129)
Total Revenues	17,227,705	18,026,705	18,579,812	553,107
Expenditures				
Current:				
General government	1,909,836	1,909,836	1,813,285	(96,551)
Public safety	5,233,885	5,418,885	5,384,972	(33,913)
Sanitation	1,428,516	1,428,516	1,471,177	42,661
Highways and roads	1,959,737	2,125,737	2,049,052	(76,685)
Culture and recreation	1,894,093	2,011,093	1,995,924	(15,169)
Miscellaneous	5,006,731	5,337,731	5,105,691	(232,040)
Debt service:				
Principal	-	-	25,440	25,440
Interest	-	-	5,195	5,195
Total Expenditures	17,432,798	18,231,798	17,850,736	(381,062)
Excess (Deficiency) of Revenues				
Over Expenditures	(205,093)	(205,093)	729,076	934,169
Other Financing Sources (Uses)				
Operating transfers out	-	-	(26,000)	(26,000)
Total Other Financing Sources (Uses)	-	-	(26,000)	(26,000)
Excess (Deficiency) of Revenues				
and Other Financing Sources (Uses)	(205,093)	(205,093)	703,076	908,169
Fund Balance - Beginning	205,093	205,093	4,702,649	4,497,556
Fund Balance - Ending	\$ -	\$ -	\$ 5,405,725	\$ 5,405,725

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



UPPER MORELAND TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2012

	Pension Trust Funds	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Current Assets			
Cash	\$ 656,417	\$ 176,500	\$ 832,917
Accrued interest	6	-	6
Investments, at fair value			
Assets with PMRS	14,249,532	-	14,249,532
Mutual Funds	16,774,115	-	16,774,115
Total Current Assets	<u>\$ 31,680,070</u>	<u>\$ 176,500</u>	<u>\$ 31,856,570</u>
 <u>LIABILITIES</u>			
Escrows payable	<u>\$ -</u>	<u>\$ 176,500</u>	<u>\$ 176,500</u>
 <u>NET POSITION</u>			
Net position held in trust for pension benefits	<u>\$ 31,680,070</u>	<u>\$ -</u>	<u>\$ 31,680,070</u>

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

UPPER MORELAND TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

For the Year Ended December 31, 2012

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 823,219
Employee	326,511
State allocation	<u>525,688</u>
Total Contributions	<u>1,675,418</u>
Investment Income	
Net appreciation (depreciation)	
in fair value of investments	1,625,510
Dividends	393,109
Interest	<u>801,134</u>
Total Investment Earnings	<u>2,819,753</u>
Total Additions	<u>4,495,171</u>
Deductions	
Miscellaneous expenses	43,237
Insurance premiums	1,615
Actuary fees	10,205
Return of contributions	12,443
Transfer to reserve	-
Benefits	<u>2,642,347</u>
Total Deductions	<u>2,709,847</u>
Net Increase	1,785,324
Net Position Held in Trust for Pension Benefits:	
Beginning of Year	<u>29,894,746</u>
End of Year	<u>\$ 31,680,070</u>

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

UPPER MORELAND TOWNSHIP

STATEMENT OF ASSETS AND LIABILITIES  
- AGENCY FUNDS

December 31, 2012

	Balance January 1 <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31 <u>2012</u>
<b><u>ESCROW FUND</u></b>				
ASSETS				
Cash	\$ <u>181,291</u>	\$ <u>89,414</u>	\$ <u>(94,205)</u>	\$ <u>176,500</u>
LIABILITIES				
Escrow Payable	\$ <u>181,291</u>	\$ <u>89,414</u>	\$ <u>(94,205)</u>	\$ <u>176,500</u>

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

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**I. Summary of significant accounting policies**

***A. 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 Co. Active Crew  
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 Fire Co. Active Crew, 227 Davisville Road, Willow Grove, PA; Upper Moreland Free Public Library, 109 Park Avenue, Willow Grove, PA.

***B. 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. *Governmental 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, 2012

**I. Summary of significant accounting policies (Continued)**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as 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, 2012

**I. Summary of significant accounting policies (Continued)**

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

The government reports the following major governmental funds:

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

The *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.

Additionally, the government reports the following fiduciary fund types:

The *Pension Trust Fund* accounts for the activities of the Police, Fire and Municipal Pension plans, which accumulate 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.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities or enterprise funds, if any, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**I. Summary of significant accounting policies (Continued)**

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

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

Proprietary types distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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.

***D. 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.

***E. Assets, liabilities, and net position or equity***

***1. Deposits and investments***

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

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**I. Summary of significant accounting policies (Continued)**

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

***1. Deposits and investments (continued)***

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 saving's accounts rates is minimal.

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

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

***2. Receivables and payables***

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2012, all trade receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.



UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**I. Summary of significant accounting policies (Continued)**

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

***2. Receivables and payables (continued)***

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.

***3. 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.

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.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**I. Summary of significant accounting policies (Continued)**

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

***3. Capital assets (continued)***

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

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

***4. Compensated absences***

The Township allows employees to carry over sick pay up until retirement. However, employees cannot collect accumulated sick pay at retirement. Vacation 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 pay only.

***5. 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.

***6. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**I. Summary of significant accounting policies (Continued)**

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

***6. Long-term obligations (continued)***

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

***7. Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Invested in capital assets, net of related debt** - 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, 2012

**I. Summary of significant accounting policies (Continued)**

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

**8. *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 Supervisors 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.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**I. Summary of significant accounting policies (Continued)**

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

***8. Fund Balance (continued)***

**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.

**II. Stewardship, compliance, and accountability**

***A. Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All 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.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**II. Stewardship, compliance, and accountability (Continued)**

***A. Budgetary information (continued)***

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.

***B. Excess of expenditures over appropriations***

For the year ended December 31, 2012, expenditures exceeded appropriations in the category of sanitation by \$42,661. These overexpenditures were funded by greater than anticipated revenues.

**III. Detailed notes on all funds**

***A. 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 \$5,181,993 and the bank balance was \$5,512,901. 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 institutions 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.

The Township has deposits of \$3,010,726 in an external investment pool. These deposits are considered cash equivalents because of their short maturity dates and are included in the deposits figure above.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**III. Detailed notes on all funds (Continued)**

***A. Deposits and investments (continued)***

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

	<u>Maturity Dates</u>	<u>Fair Value</u>
GOVERNMENTAL FUNDS		
Certificates of Deposits	2013	\$ 240,000
Externally Pooled Investments	2013	<u>3,010,726</u>
Total Governmental Funds		<u>\$ 3,250,726</u>
FIDUCIARY FUNDS		
Cash	---	\$ 832,917
Mutual Funds - Fixed Taxable	---	4,999,854
Mutual Funds - Equity	---	8,492,407
Mutual Funds - International Equity	---	3,281,854
PMRS	---	<u>14,249,532</u>
Total Fiduciary Funds		<u>\$ 31,856,564</u>

*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 I, E, 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 issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note I,E,1. The government's investment in the external investment pools was rated AAAM by Standard & Poor's.

*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, 2012

**III. Detailed notes on all funds (Continued)**

***A. Deposits and investments (continued)***

***Discretely presented component units***

Component Unit – Library: At year end, the carrying amount of deposits for the discretely presented component unit was \$42,126 and the bank balances was \$51,765. Investments consisted of four certificates of deposit totaling \$125,000. 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 institutions 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, 2012, 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 \$129,655 and the bank balances was \$135,846. 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.

**B. 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:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 862,128	\$ 25,856	\$ -	\$ 887,984
Accounts	592,866	-	1,535	594,401
Total Receivables	<u>\$ 1,454,994</u>	<u>\$ 25,856</u>	<u>\$ 1,535</u>	<u>\$ 1,482,385</u>



UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**III. Detailed notes on all funds (Continued)**

**C. Capital assets (continued)**

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 4,019,797	\$ -	\$ -	\$ 4,019,797
Total capital assets, not being depreciated	<u>4,019,797</u>	<u>-</u>	<u>-</u>	<u>4,019,797</u>
Capital assets, being depreciated:				
Buildings and improvements	3,442,253	-	-	3,442,253
Machinery, vehicles and equipment	8,311,050	56,705	(60,876)	8,306,879
Infrastructure	<u>45,197,356</u>	<u>713,914</u>	<u>-</u>	<u>45,911,270</u>
Total capital assets being depreciated	<u>56,950,659</u>	<u>770,619</u>	<u>(60,876)</u>	<u>57,660,402</u>
Less accumulated depreciation for:				
Buildings and improvements	1,717,638	65,570	-	1,783,208
Machinery, vehicles and equipment	5,965,509	399,104	(60,876)	6,303,737
Infrastructure	<u>15,954,048</u>	<u>782,431</u>	<u>-</u>	<u>16,736,479</u>
Total accumulated depreciation	<u>23,637,195</u>	<u>1,247,105</u>	<u>(60,876)</u>	<u>24,823,424</u>
Total capital assets, being depreciated, net	<u>33,313,464</u>	<u>(476,486)</u>	<u>-</u>	<u>32,836,978</u>
Governmental-type activities capital assets, net	<u>\$ 37,333,261</u>	<u>\$ (476,486)</u>	<u>\$ -</u>	<u>\$ 36,856,775</u>

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

Depreciation Expense	
Governmental activities:	
General government	\$ 40,116
Licenses and permits	79,817
Public safety	263,781
Highway and roads	611,481
Sanitation	29,557
Culture and recreation	<u>222,353</u>
	<u>\$ 1,247,105</u>

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**III. Detailed notes on all funds (Continued)**

**C. Capital assets (continued)**

***Discretely presented component units***

Upper Moreland Free Public Library for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	\$ 568,838	\$ 17,349	\$ -	\$ 586,187
Collection	<u>1,534,715</u>	<u>80,096</u>	<u>54,885</u>	<u>1,559,926</u>
Total capital assets being depreciated	<u>2,103,553</u>	<u>97,445</u>	<u>54,885</u>	<u>2,146,113</u>
Less accumulated depreciation for:				
Furniture and equipment	510,761	24,565	-	535,326
Collection	<u>1,144,460</u>	<u>13,094</u>	<u>54,885</u>	<u>1,102,669</u>
Total accumulated depreciation	<u>1,655,221</u>	<u>37,659</u>	<u>54,885</u>	<u>1,637,995</u>
Total capital assets, being depreciated, net	<u>\$ 448,332</u>	<u>\$ 59,786</u>	<u>\$ -</u>	<u>\$ 508,118</u>

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**III. Detailed notes on all funds (Continued)**

**D. Interfund receivables, payables, and transfers**

Interfund transfers:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 26,000	\$ -
Bond Series	-	26,000
	<u>\$ 26,000</u>	<u>\$ 26,000</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.

**E. Leases**

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

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

Asset:	<u>Governmental Activities</u>
Equipment	\$ 139,480
Less Accumulated Depreciation	<u>(55,792)</u>
Total	<u>\$ 83,688</u>

The future minimum lease obligation and the net present value of these minimum lease payments of December 31, 2012, were as follows:

<u>Year Ended December 31</u>	<u>Governmental Activities</u>
2013	\$ 30,634
2014	30,634
2015	30,634
2016	<u>22,977</u>
Total minimum lease payments	114,879
Less: amount representing interest	<u>(9,036)</u>
Present value of minimum lease payments	<u>\$ 105,843</u>

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**III. Detailed notes on all funds (Continued)**

**F. 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. The original amount of general obligation notes issued in prior years was \$9,070,000. In 2012, The Township issued a general obligation note of \$5,210,000 to currently refund the existing 2004 general obligation bonds balance of \$770,000 and to advance refund the existing 2007 general obligation bonds balances \$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 obligations currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0 to 7.2%	<u>\$ 4,956,594</u>

Annual debt service requirements to maturity are as follows:

General Obligation Notes		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 522,167	\$ 71,335
2014	530,506	60,931
2015	539,996	50,329
2016	545,198	45,887
2017	550,404	41,402
2018-2022	<u>2,268,323</u>	<u>96,680</u>
	<u>\$ 4,956,594</u>	<u>\$ 366,564</u>

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**III. Detailed notes on all funds (Continued)**

***General obligation bonds and notes (continued)***

***Changes in long-term liabilities***

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 4,975,000	\$ -	\$ (4,975,000)	\$ -	\$ -
Discounts	(3,676)	-	3,676	-	-
Gain on refunding	20,087	-	(20,087)	-	-
Premiums	47,235	-	(47,235)	-	-
Total bonds payable	<u>5,038,646</u>	<u>-</u>	<u>(5,038,646)</u>	<u>-</u>	<u>-</u>
Notes payable	227,782	5,210,000	(481,188)	4,956,594	522,167
Discounts	-	(14,328)	1,433	(12,895)	-
Premiums	-	26,824	(2,682)	24,142	-
Total notes payable	<u>227,782</u>	<u>5,222,496</u>	<u>(482,437)</u>	<u>4,967,841</u>	<u>522,167</u>
Capital lease	131,283	-	(25,440)	105,843	26,566
OPEB liability	1,011,651	452,340	-	1,463,991	-
Compensated absences	<u>293,089</u>	<u>-</u>	<u>(8,252)</u>	<u>284,837</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 6,702,451</u>	<u>\$ 5,674,836</u>	<u>\$ (5,554,775)</u>	<u>\$ 6,822,512</u>	<u>\$ 548,733</u>

**IV. Other information**

**A. Risk management**

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

The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2012 was \$196,328. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2012 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$57,300.

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**IV. Other information (Continued)**

**A. Risk management (continued)**

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, 2012 was \$307,343. The Trust declared a dividend in 2012. Upper Moreland Township's share of the dividend distribution was \$46,267. The Township paid a sum of \$1,527 as a result of the payroll audit of 2011 coverage year. At December 31, 2012, there were no additional assessments due or anticipated. Instead, an audit of the reported 2012 payroll will be performed during the first quarter of 2013.

**B. Contingent liabilities**

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

**C. 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, 2011 whose details are discussed below.

Plan Description

Upper Moreland Township sponsors a public employee retirement system (PERS) to provide pension benefits for employees of the Township. At January 1, 2011, Upper Moreland Township Pension Plan consisted of the following:

	Non- <u>Uniform</u>	<u>Firefighters</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	32	0	39
Terminated employees entitled to benefits but not yet receiving them	5	0	0
Active employees	<u>71</u>	<u>5</u>	<u>31</u>
	<u>108</u>	<u>5</u>	<u>70</u>

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**IV. Other information (Continued)**

**C. Employee retirement systems and pension plans**

*Description of Non-Uniform Pension Plan*

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.

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 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.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**IV. Other information (Continued)**

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

*Description of Firefighters Pension Plan (continued)*

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

*Description of the Police Pension Plan*

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 on 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 \$50 per month for each year of service in excess of 25 years, but not more than \$100 additional. 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 these benefits is a 50% survivor annuity to the spouse and an additional 10% per child up to the age of 18. This benefit applies to retirees, vestees and disabilitants.

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.



UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**IV. Other information (Continued)**

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

*Description of the Police Pension Plan (continued)*

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.

*Summary of Significant Accounting Policies and Plan Asset Matters*

Basis of Accounting: 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: Pension Plan equity securities are reported at market value. Fixed income securities are 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 2012, 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 2012, 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.

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**IV. Other information (Continued)**

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

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

*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.

*Funded Status and Funding Progress*

The funded status of each plan as of January 1, 2011, the most recent actuarial valuation date:

	Valuation <u>Date</u>	Actuarial Value of <u>Net Position</u>	Accrued Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	Liability as a Percentage of Payroll
Nonuniform	1/1/2011	\$ 16,858,695	\$ 17,255,510	97.70%	\$ 396,815	\$ 4,453,223	8.91%
Fire	1/1/2011	1,175,876	1,292,047	91.01%	116,171	404,841	28.70%
Police	1/1/2011	17,432,405	24,559,613	70.98%	7,127,208	2,900,585	245.72%

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.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**IV. Other information (Continued)**

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

*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:

	<u>Non-Uniform</u>	<u>Firefighters</u>	<u>Police</u>
Annual required contribution	\$ 350,533	\$ 69,671	\$ 928,663
Interest on net pension obligation	(6,876)	(227)	1,188
Adjustments to annual required contribution	<u>12,336</u>	<u>407</u>	<u>(1,879)</u>
Annual pension cost	355,993	69,851	927,972
Contributions made	<u>(350,533)</u>	<u>(69,671)</u>	<u>(928,663)</u>
Increase (decrease) in net pension obligation	5,460	180	(691)
Net pension obligation (asset) at beginning of year	<u>(114,606)</u>	<u>(3,787)</u>	<u>14,847</u>
Net pension obligation (asset) at end of year	<u>\$ (109,146)</u>	<u>\$ (3,607)</u>	<u>\$ 14,156</u>

The annual required contribution for the current year was determined using the following assumptions:

	<u>Non-Uniform</u>	<u>Firefighters</u>	<u>Police</u>
Date of actuarial valuation	1/1/2011	1/1/2011	1/1/2011
Investment rate of return	6.0%	6.0%	8.0%
Projected salary increases due to inflation	5.2%	5.2%	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	14.33	13.99	13

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**IV. Other information (Continued)**

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

*Three Year Trend Information*

***NON-UNIFORM***

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2010	\$ 303,021	98.0%	\$ (120,339)
12/31/2011	344,753	98.3%	(114,606)
12/31/2012	355,993	98.5%	(109,146)

***FIREFIGHTERS***

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2010	\$ 68,863	99.7%	\$ (3,977)
12/31/2011	64,148	99.7%	(3,787)
12/31/2012	69,851	99.7%	(3,607)

***POLICE***

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2010	\$ 564,920	100.1%	\$ 15,573
12/31/2011	939,977	100.1%	14,847
12/31/2012	927,972	100.1%	14,156

**D. 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, 2012, nine retired employees were eligible to participate in receiving medical benefits. The Plan did not issue a stand-alone report.

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**IV. Other information (Continued)**

**D. Other Postemployment Benefits (continued)**

At January 1, 2011, the most recent actuarial valuation date, Upper Moreland Township Post-employment Benefit Plan consisted of the following:

	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but not yet receiving them	0
Active employees	<u>95</u>
	<u>102</u>

**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.

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 2012, the Township made no contributions into a separate plan and elected to continue funding on a pay-as-you-go basis, which amounted \$53,479 for 2012. These costs are recognized as an expense when claims or premiums are paid.

UPPER MORELAND TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**IV. Other information (Continued)**

**D. Other Postemployment Benefits (continued)**

Funded Status and Funding Progress

The funded status of each plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

	Valuation Date	Actuarial Value of Net Postion	Accrued Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	Liability as a Percentage of Payroll
OPEB	1/1/2011	\$ -	\$ 4,415,026	0.00%	\$ (4,415,026)	\$ 6,975,290	-63.30%

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, 2012

**IV. Other information (Continued)**

**D. Other Postemployment Benefits (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	\$ 522,397
Interest on net pension obligation	45,524
Adjustments to annual required contribution	<u>(62,102)</u>
Annual pension cost	505,819
Contributions made	<u>(53,479)</u>
Increase (decrease) in net pension obligation	452,340
Net pension obligation (asset) at beginning of year	<u>1,011,651</u>
Net pension obligation (asset) at end of year	<u><u>\$ 1,463,991</u></u>

Actuarial calculations reflect a long-term perspective, and consistent with that 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, 2011 actuarial valuation using the following assumptions:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2011
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: 8% in 2011, decreasing .5% per year to 5.5% in 2016.

Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**IV. Other information (Continued)**

**D. Other Postemployment Benefits (continued)**

Three Year Trend Information

***OPEB***

Fiscal Year	Annual OPEB	Percentage of Cost	Net OPEB Obligation
<u>Ending</u>	<u>Cost</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2010	\$ 290,822	12.5%	\$ 532,064
12/31/2011	513,678	6.6%	1,011,651
12/31/2012	505,819	10.6%	1,463,991

**E. Escrow cash deposits and investments**

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2012, \$176,500 represents the balance of these monies held in escrow.

**F. Due from other government**

In 2005, the Township paid for renovations to the firehouse in Willow Grove. The Willow Grove Volunteer Fire Company Active Crew 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%. At December 31, 2012 the outstanding balance payable to the Township was \$19,160.

**G. Subsequent event**

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 27, 2013, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.



UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

**IV. Other information (Continued)**

**H. New Accounting Pronouncements**

Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position. This statement only applies to full accrual accounting – governmental activities, business-type activities, proprietary funds, and fiduciary funds. GASB Statement No. 63 is effective for financial statements for fiscal years beginning after December 15, 2011.

Statement No. 65 - *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for financial statements for fiscal years beginning after December 15, 2012. Earlier application is encouraged.

Net Asset accounts have been renamed Net Position to comply with these standards.

Upper Moreland Township had debt issuance costs from refundings of bonds in 2012. Under Statement No. 65, these costs are written off as an expense in the year incurred. The Township also had unamortized debt issuance costs recorded as an asset from prior years. These costs have been removed through a prior period adjustment to net position to comply with these new statements. The effect on the government-wide activities is summarized below. The effect on the fund statements was to reclass the deferred revenue from property taxes and special assessments to deferred inflows and change the title to Unavailable revenue for property taxes and special assessments.

	<u>Governmental</u>
Net position, January 1, 2012	\$ 37,288,752
Reduction of assets	<u>(71,511)</u>
Net position, January 1, 2012 restated	<u>\$ 37,217,241</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

UPPER MORELAND TOWNSHIP

Required Supplemental Information – Non-Uniform Pension Plan

December 31, 2012

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Net Position	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	Liability 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%

**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%

UPPER MORELAND TOWNSHIP

Required Supplemental Information – Firefighters Pension Plan

December 31, 2012

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	Actuarial Value of Net Position	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	Liability 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%

**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	69,671	69,671	100.0%

UPPER MORELAND TOWNSHIP

Required Supplemental Information – Police Pension Plan

December 31, 2012

**SCHEDULE OF FUNDING PROGRESS**

Valuation <u>Date</u>	Actuarial Value of <u>Net Position</u>	Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued <u>Liability</u>	Projected Annual Covered <u>Payroll</u>	Liability as a Percentage <u>of Payroll</u>
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%

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

Calendar <u>Year</u>	Annual Required <u>Contribution</u>	Contributions from <u>Employer</u>	Percentage <u>Contributed</u>
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%

UPPER MORELAND TOWNSHIP

Required Supplemental Information – OPEB Plan

December 31, 2012

**SCHEDULE OF FUNDING PROGRESS**

	Valuation	Actuarial	Accrued	Percentage	Unfunded	Projected	Liability
	<u>Date</u>	<u>Value of</u>	<u>Actuarial</u>		<u>Actuarial</u>	<u>Annual</u>	<u>as a</u>
		<u>Net Position</u>	<u>Liability</u>	<u>Funded</u>	<u>Accrued</u>	<u>Covered</u>	<u>Percentage</u>
			<u>Obligation</u>		<u>Liability</u>	<u>Payroll</u>	<u>of Payroll</u>
OPEB	1/1/2011	\$ -	\$ 4,415,026	0.00%	\$ (4,415,026)	\$ 6,975,290	-63.30%

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

Calendar	Annual	Contributions	Percentage
<u>Year</u>	<u>Required</u>	<u>from</u>	<u>Contributed</u>
	<u>Contribution</u>	<u>Employer</u>	
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%

UPPER MORELAND TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2012

	<u>Pension Trust Funds</u>				<u>Agency Fund</u>	<u>Total</u>
	<u>Police</u>	<u>Municipal</u>	<u>Fire</u>			
	<u>Pension</u>	<u>Pension</u>	<u>Pension</u>	<u>Total</u>	<u>Escrows</u>	<u>Fiduciary</u>
						<u>Funds</u>
<u>ASSETS</u>						
Current Assets						
Cash	\$ 656,417	\$ -	\$ -	\$ 656,417	\$ 176,500	\$ 832,917
Accrued interest	6	-	-	6	-	6
Investments, at fair value						
Assets with PMRS	-	12,759,461	1,490,071	14,249,532	-	14,249,532
Mutual Funds	<u>16,774,115</u>	<u>-</u>	<u>-</u>	<u>16,774,115</u>	<u>-</u>	<u>16,774,115</u>
Total Current Assets	<u>\$ 17,430,538</u>	<u>\$ 12,759,461</u>	<u>\$ 1,490,071</u>	<u>\$ 31,680,070</u>	<u>\$ 176,500</u>	<u>\$ 31,856,570</u>
<u>LIABILITIES</u>						
Escrows payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,500</u>	<u>\$ 176,500</u>
<u>NET POSITION</u>						
Net position held in trust						
for pension benefits	<u>\$ 17,430,538</u>	<u>\$ 12,759,461</u>	<u>\$ 1,490,071</u>	<u>\$ 31,680,070</u>	<u>\$ -</u>	<u>\$ 31,680,070</u>

UPPER MORELAND TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

For the Year Ended December 31, 2012

	Pension Trust Funds			
	Police Pension	Municipal Pension	Fire Pension	Total
Additions				
Contributions				
Employer	\$ 402,975	\$ 350,573	\$ 69,671	\$ 823,219
Employee	160,931	150,532	15,048	326,511
State allocation	525,688	-	-	525,688
Total Contributions	1,089,594	501,105	84,719	1,675,418
Investment Income				
Net appreciation (depreciation) in fair value of investments	1,625,510	-	-	1,625,510
Dividends	393,109	-	-	393,109
Interest	55	720,203	80,876	801,134
Total Investment Earnings	2,018,674	720,203	80,876	2,819,753
Total Additions	3,108,268	1,221,308	165,595	4,495,171
Deductions				
Miscellaneous expenses	40,937	2,200	100	43,237
Insurance premium	-	865	750	1,615
Actuary fees	10,205	-	-	10,205
Return of contributions	-	12,443	-	12,443
Transfer to reserve	-	-	-	-
Benefits	1,488,476	1,153,871	-	2,642,347
Total Deductions	1,539,618	1,169,379	850	2,709,847
Net Increase (Decrease)	1,568,650	51,929	164,745	1,785,324
Net Position Held in Trust for Pension Benefits:				
Beginning of Year	15,861,888	12,707,532	1,325,326	29,894,746
End of Year	\$ 17,430,538	\$ 12,759,461	\$ 1,490,071	\$ 31,680,070