

**UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF THE
MUNICIPALITY OF UPPER DUBLIN)
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2017

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Independent Auditors' Report

Board of Directors
Upper Dublin Township Municipal Authority
Upper Dublin, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Upper Dublin Township Municipal Authority (a Component Unit of the Municipality of Upper Dublin), Montgomery County, Pennsylvania (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

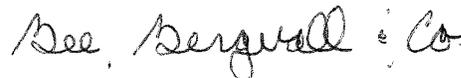
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Upper Dublin Township Municipal Authority as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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.



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

Warrington, PA
May 29, 2018

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of the Municipality of Upper Dublin)

Management's Discussion and Analysis

December 31, 2017

The following discussion and analysis of the activities and financial performance of the Upper Dublin Township Municipal Authority (the "Authority") provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended December 31, 2017. Please consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

The Upper Dublin Township Municipal Authority is a component unit of the Municipality of Upper Dublin. The Authority was established January 1, 2017 to be a self-supporting entity to serve the Municipality of Upper Dublin. The members of the Authority Board are appointed by the Municipality of Upper Dublin for a five (5) year term.

Authority Activities and Highlights

- The net position increased by \$39,674 for the year ended December 31, 2017.
- The Authority's incurred operating expenses related to formation and administration totaled \$17,072. The operating expenses were funded by a \$56,500 contribution from the Township.
- No operating revenues have been earned yet.
- 2017 was the initial year of operations so the MD&A is not comparative.

The Authority was formed for the purpose of obtaining and financing working capital, acquiring, holding, constructing, improving, maintaining and operating, owning or leasing, either in the capacity of lessor or lessee, projects with the defined boundary of the Authority of the following kind and character:

- Transportation and roadway improvements, bridges and other related improvements
- Storm water and flood control planning, management, and implementation
- General economic development and marketing for the Fort Washington Office Center Park

The Authority will fund improvements through debt and assessments to property owners.

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of the Municipality of Upper Dublin)

Management's Discussion and Analysis

December 31, 2017

Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Upper Dublin Township Municipal Authority, assets exceeded liabilities by \$39,674 at the close of the fiscal year.

The following table summarizes the financial position of the Authority as of December 31, 2017.

	<u>2017</u>
Assets	
Current Assets	\$ 9,472
Construction in Progress	<u>76,577</u>
Total Assets	<u>\$ 86,049</u>
Current and Other Liabilities	
Current Liabilities	<u>\$ 46,375</u>
Total Liabilities	<u>\$ 46,375</u>
Net Position	
Net Investment in Capital Assets	\$ 30,202
Unrestricted	<u>9,472</u>
Total Net Position	<u>\$ 39,674</u>

Net investment in Capital Assets increased by \$30,202 which represented Construction in Progress less bills that have not been paid yet (accounts payable). Construction has begun on the transportation improvements. Additional information on capital assets can be found in Note 4 to the financial statements.

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of the Municipality of Upper Dublin)

Management's Discussion and Analysis

December 31, 2017

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, creditors and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's staff at Upper Dublin Municipal Authority, 801 Loch Alsh Avenue, Fort Washington, PA 19034 or visit our website at www.upperdublin.net.

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Statement of Revenues, Expenses, and Changes in Net Position

December 31, 2017

	<u>2017</u>
Operating revenues	\$ -
Operating and administrative expenses	<u>17,072</u>
Operating Loss	<u>(17,072)</u>
Non-operating Revenues	
Investment income	246
Contribution from other governments	<u>56,500</u>
Total Non-operating Revenues	<u>56,746</u>
Increase in Net Position	39,674
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u>\$ 39,674</u>

See independent auditors' report and accompanying notes to financial statements

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Statement of Cash Flows

December 31, 2017

	<u>2017</u>
Cash flows from operating activities:	
Cash paid to suppliers of goods and services	\$ (308)
Cash paid for salaries and benefits	<u>(16,764)</u>
Net cash used in operating activities	<u>(17,072)</u>
Cash flows from investing activities:	
Interest and dividends received	<u>246</u>
Net cash provided by investing activities	<u>246</u>
Cash flows from capital and financing activities:	
Construction	(30,202)
Contributions from other governments	<u>56,500</u>
Net cash provided by capital and financing activities	<u>26,298</u>
Net increase in cash and cash equivalents	9,472
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 9,472</u>
Reconciliation of net income to net cash used in operating activities:	
Net operating loss	<u>\$ (17,072)</u>
Net cash used in operating activities	<u>\$ (17,072)</u>

See independent auditors' report and accompanying notes to financial statements

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Notes to Financial Statements

December 31, 2017

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity: Upper Dublin Township Municipal Authority (the Authority), a component unit of the Municipality of Upper Dublin was created as an operating authority on January 1, 2017 by the Township of Upper Dublin under the Municipal Authorities Act. The Authority was formed for the purpose of constructing, financing, and leasing projects related to transportation, storm water, and general economic development. The Authority is considered to be a component unit of Upper Dublin Township as the Township appoints the Board of Directors of the Authority and a financial benefit/burden relationship exists between the Township and the Authority.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred.

Cash and Cash Equivalents: The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities within three months or less from date of acquisition.

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

Revenue Recognition: The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent that such are available and then to unrestricted net position.

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Notes to Financial Statements

December 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Capital Assets: Capital assets, which include property, plant, equipment, and sewer system assets, are defined by the Authority as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at 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 when constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Road systems and bridges	45-75 years

Net Position: Net position includes the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position are classified in the following three components: invested in capital assets, net of related liabilities; restricted for capital activity and debt services; and unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted represent cash and investments established for debt repayment under terms of the debt trust indenture. Unrestricted are amounts that do not meet the definitions above and are available for the Authority operations.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Notes to Financial Statements

December 31, 2017

NOTE 2. Budgets and Budgetary Accounting

Annual budgets are adopted on the cash basis of accounting.

The Authority follows these procedures in establishing the budget:

1. During November a preliminary budget is presented.
2. In December the final budget is adopted.
3. All budget revisions require the approval of the Authority.
4. Budgetary control is maintained at the account level.
5. The budget is adopted on the cash basis of accounting. All appropriations lapse at year end.

NOTE 3. Cash and Investments

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

Custodial Credit Risk-Deposits: The Authority's cash equivalent investments in PLGIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Authority's position in the external investment pool is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitation or fee upon adequate notice.

At December 31, 2017, the total of PLGIT bank balances was \$9,472.

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Notes to Financial Statements

December 31, 2017

NOTE 3. Cash and Investments (Continued)

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of a failure of the counterparty, the Authority 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 through state limitations as discussed above.

Interest Rate Risk: The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

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 above. The Authority does not have a formal investment policy for credit risk.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The concentration of credit risk in investments of external investment pools is not required to be disclosed.

NOTE 4. Capital Assets

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

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2017</u>
Capital Assets not being depreciated				
Construction in Progress	\$ -	\$ 76,577	\$ -	\$ 76,577
Total Capital Assets, net	<u>\$ -</u>	<u>\$ 76,577</u>	<u>\$ -</u>	<u>\$ 76,577</u>

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Notes to Financial Statements

December 31, 2017

NOTE 5. Commitments

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

NOTE 6. Risk Management and Contingencies

The Authority 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 Authority carries commercial insurance.

In the normal course of business, there are various relatively minor claims and suits pending against the Authority, none of which materially affect the financial position of the Authority. At the present time, there are no unasserted claims or significant litigation matters pending.