

**UPPER MERION TOWNSHIP
HEALTH AND WELFARE PLAN**

FINANCIAL STATEMENTS

Year Ended December 31, 2015



Certified Public Accountants and Business Consultants

UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN
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Independent Auditors' Report

To the Trustees
Upper Merion Township Health and Welfare Plan
King of Prussia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Upper Merion Township Health and Welfare Plan, which comprise the statement of net assets available for benefits as of December 31, 2015, and the related statement of changes in net assets available for benefits for the year then ended 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.

Auditors' Responsibility

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

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

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

To the Trustees
Upper Merion Township Health and Welfare Plan
King of Prussia, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Upper Merion Township Health and Welfare Plan as of December 31, 2015, and the changes in its net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Maillie LLP

Oaks, Pennsylvania
June 22, 2016

UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2015

ASSETS	
Investments	\$ 516,419
LIABILITIES	
Accounts payable	<u>186,120</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 330,299</u>

See accompanying notes.

UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2015

ADDITIONS TO NET ASSETS	
Contributions	
Upper Merion Township	\$ 3,800,000
COBRA	397,918
Investment income	<u>46</u>
TOTAL ADDITIONS	<u>4,197,964</u>
DEDUCTIONS FROM NET ASSETS	
Payments for	
Hospitalization and medical	3,732,604
Life insurance	54,852
Long-term disability	32,872
Short-term disability	6,951
Dental	349,986
Fitness reimbursement	<u>15,357</u>
TOTAL PAYMENTS	4,192,622
Administrative expenses	
Miscellaneous	<u>7,901</u>
TOTAL DEDUCTIONS	<u>4,200,523</u>
NET DECREASE	(2,559)
NET ASSETS AVAILABLE FOR BENEFITS	
BEGINNING OF YEAR	<u>332,858</u>
END OF YEAR	<u>\$ 330,299</u>

See accompanying notes.

UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - DESCRIPTION OF PLAN AND SIGNIFICANT ACCOUNTING POLICIES

Description of Plan

The following brief description of the Upper Merion Township Health and Welfare Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

General

The Plan covers all full-time permanent employees of Upper Merion Township (the "Township") and their eligible dependents.

Benefits

Police - Life insurance and accidental death and dismemberment benefits coverage commences from the date of employment. Health benefits begin on the first of the month following completion of 60 days of service. Dental and long-term disability benefits begin following the completion of one year of full-time uninterrupted active service.

All Other Township Employees - Life insurance, accidental death and dismemberment and health benefits begin on the first day of the month immediately following the completion of 60 days of full-time active employment. Dental and long-term disability benefits begin following the completion of one year of uninterrupted active service.

General - Life insurance, accidental death and dismemberment and long-term disability benefits are provided for employees only. All other benefits, as set forth in the Plan, are for employees and their eligible dependents.

Basis of Accounting

The accompanying financial statements are accounted for on the accrual basis.

Income Taxes

The Plan is a not-for-profit organization exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code. The 2012, 2013 and 2014 federal income tax returns of the Plan are subject to examination by the IRS, generally for three years after the tax returns were filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through June 22, 2016, the date which the financial statements were available to be issued.

UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - ORGANIZATION

The Plan is an irrevocable trust established January 1, 1980, under Section 501(c)(9) of the Internal Revenue Code.

NOTE C - INVESTMENTS

The Plan owns units of the Pennsylvania Local Government Investment Trust totaling \$516,419. This Trust invests in U.S. Government or federally insured deposits, which are titled to and held by the Trust.

NOTE D - FUNDING POLICY

The Plan is funded by the Township's General Fund as well as from amounts paid by the retirees that have remained on the health plan. Amounts are paid to the Trustee, Delaware Valley Health Insurance Trust, as determined by the Trust in the form of a level monthly premium for health care coverage. Other level payments are also made from the General Fund to pay premiums for life and disability insurance to the insurance company of record that has the respective policies in place.