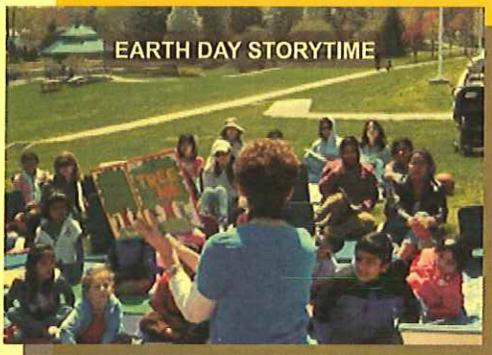
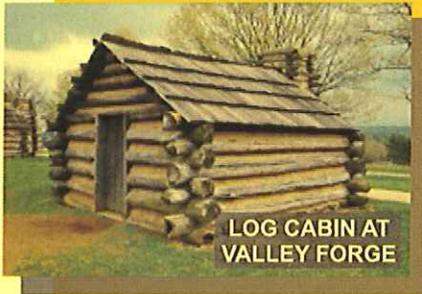


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended  
December 31, 2011



UPPER MERION  
TOWNSHIP,  
PENNSYLVANIA

*Prepared by  
Upper Merion Township  
Administration Department*

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**UPPER MERION TOWNSHIP  
MONTGOMERY COUNTY,  
PENNSYLVANIA**

Year Ended December 31, 2011

*Prepared by  
Upper Merion Township Finance and Administration Department*

*Nicholas F. Hiriak  
Director of Finance and Administration*

# UPPER MERION TOWNSHIP COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2011

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## UPPER MERION TOWNSHIP BOARD OF SUPERVISORS

175 WEST VALLEY FORGE ROAD  
KING OF PRUSSIA, PA 19406-1802  
610-265-2600  
FAX: 610-265-0482  
www.umtownship.org

### BOARD OF SUPERVISORS

ERIKA SPOTT  
CHAIRPERSON  
GREG WAKS  
VICE-CHAIRPERSON

WILLIAM JENAWAY, PhD  
CAROLE KENNEY  
GREG PHILIPS

### TOWNSHIP MANAGER/ SECRETARY-TREASURER

RONALD G. WAGENMANN

### TOWNSHIP SOLICITOR

FIRM OF:  
HAMBURG, RUBIN, MULLIN,  
MAXWELL & LUPIN, P.C.

June 25, 2012

To the Board of Supervisors and Citizens of Upper Merion Township:

I am pleased to present to you the Comprehensive Annual Financial Report of Upper Merion Township for the fiscal year ended December 31, 2011. The financial statements contained within the report are presented in accordance with generally accepted accounting principles by a firm of licensed certified public accountants.

This report was prepared by the Administration Department of Upper Merion Township, which is responsible for the accuracy, completeness and fairness of the data presented, including all disclosures. To the best of our knowledge, the information presented in this report is accurate in all material respects and is reported in a manner designed to fairly represent the financial position and results of operations of the funds and component units of Upper Merion Township. All disclosures necessary to enable the reader to gain an understanding of Upper Merion Township's activities have been included.

Maillie, Falconiero & Company LLP, a firm of licensed certified public accountants, audits the Township's financial statements and has issued an unqualified ("clean") opinion on Upper Merion Township's financial statements for the year ended December 31, 2011. The independent auditor's report is located at the front of the Financial Section of this report.

The purpose of this report is to provide readers with useful information concerning the Township's financial position and operations. Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Upper Merion Township's MD&A can be found immediately following the report of the independent auditors.

### Profile of the Township

Upper Merion Township is located in the south-central portion of Montgomery County and is part of the Philadelphia Metropolitan Area. The Township has the fifth largest population of the 62 municipalities in Montgomery County. Upper Merion is strategically located at the intersection of the Pennsylvania Turnpike (I-276) and the Schuylkill Expressway (I-76), about 16 miles northwest of Center City Philadelphia. U.S. Route 202 bisects the township at its mid-point.

Incorporated in 1789 and originally a rural-residential community, the Township has experienced rapid growth in the past 35 years and today is a major center for retail sales and has substantial corporate facilities for the pharmaceutical, aerospace and information management industries. Upper Merion is also the home to Valley Forge National Historic Park and the King of Prussia Plaza and Court at King of Prussia, which is the second largest mall complex in the country. Both of these facilities are major tourist destinations attracting several million visitors each year. Despite a strong business presence, Upper Merion retains its suburban character with a wide range of well-established residential neighborhoods. The Upper Merion Township Municipal Government provides a wide range of services to an area of 16.8 square miles and a community of approximately 28,000 residents. The Township is governed by a five-member elected Board of Supervisors, that serves as the Township's legislative and policy-making body.

The Township board members are elected at large to staggered six-year terms. The Board of Supervisors is assisted by a full-time appointed Township Manager, who is responsible for day to day operations of the Township. The Township provides services through seven operating departments as listed below:

- ◆ Administration
- ◆ Police
- ◆ Safety & Codes Enforcement
- ◆ Public Works
- ◆ Library
- ◆ Parks & Recreation
- ◆ Information Technology

Services in the Township are also provided by component units. Component units are legally separate entities for which Upper Merion Township is financially accountable and are therefore included in this report. The following entities are considered component units of Upper Merion Township for financial reporting purposes.

- **Upper Merion Municipal Utility Authority** - Established in 1986 to finance the Township's sewage collection and treatment facilities. A five-member board appointed by the Township's Board of Supervisors governs the Utility Authority.
- **Upper Merion Transportation Authority** - Established in 1985 to finance transportation projects within the Township through the imposition of traffic assessments. The Transportation Authority also coordinates transportation planning in the Upper Merion Area. A five-member board appointed by the Township's Board of Supervisors governs the Transportation Authority.
- **Upper Merion General Authority** – Established in 1986 as a financing authority for the expansion and renovation of the Township Building. The Transportation Authority Board also serves as the governing Board of the General Authority.

The annual budget serves as the foundation for the Township's financial planning and control. Activities of the General Fund, Sewer Fund and Capital Fund are included in the annual appropriated budget. The General Fund Budget represents revenues and expenditures for the day to day operations of the Township's departments. The annual budget process officially begins in August of each year with the goal setting conference between staff and the governing body. Throughout the course of September and October requests for funding are submitted and reviewed, in workshop meetings, culminating with a public hearing and vote for adoption by the governing body in December. The Township's fiscal year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

The level of budgetary control (i.e., the level at which expenditures cannot exceed the appropriated amount) is maintained by object (line-item). Changes to the budget by transfer or supplemental appropriation can only be made after April 1<sup>st</sup> of the budget year in accordance with the Pennsylvania Second Class Township Code. The Board of Supervisors may increase the amount of any object in the budget through supplemental appropriation contingent upon available revenues. All annual appropriations lapse at year-end.

### **Local Economy**

The Township has a thriving business community and is a net importer of labor, with more than twice as many jobs as there are residents. The strength of the local economy can be judged by looking at trends in employment and business tax receipts. The economic growth in the Township has been driven in large part by business development and retail sales. The economic recession, over the last few years, has had a negative impact on the collection of the business and mercantile tax as well as residential and some commercial development. Property transfer tax revenue has also suffered sharp declines. A more detailed analysis of the Township's overall financial condition during the fiscal year ended 2011 is included as part of Management's Discussion and Analysis section of this report.

## **Long Term Financial Planning**

The Board of Supervisors and Township staff is committed to providing value to the taxpayers by maintaining quality service levels and offering new benefits whenever the opportunity presents itself and the Township's fiscal position permits. To accomplish this, the Township regularly evaluates its revenue generating strategy. The Township also develops and maintains a multi-year capital purchasing plan.

Also, as a part of sound fiscal planning, the Township has adopted the Government Finance Officers Association's recommendation of maintaining an unassigned fund balance in the general fund of no less than five to fifteen percent of general fund operating revenues. The Township currently maintains a 15% unassigned fund balance. The Township has also taken steps to develop a revenue stabilization fund to supplement, or smooth, any fluctuations in the business/mercantile tax revenue collections. The revenue stabilization fund balance is currently at a level of \$2,000,000 or 8.3% of the general fund operating revenues.

## **Relevant Financial Policies**

**Internal Control** – Management of the Township is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

**Budget Control** – Budget control is maintained at the object (line-item) level on a departmental basis. Activities of the General Fund, the Sewer Revenue Fund (SRA) and the Capital Projects Fund are controlled by an annual legally appropriated budget. Capital Projects are also controlled on a multi-year basis.

## **Major Initiatives**

The continued stagnation of the economy in 2010 required the Governing Body and Staff to continue with a similar approach as done in 2009, in formulating goals, objectives and initiatives of the Township for 2011. The following list of twenty seven items was included as the Township's goals, objectives and initiatives for 2011. The balance of these items is either in place, in progress or continues to be researched for future consideration:

- Re-evaluate waiver of fees.
- Continue four-day work week schedule.
- Retirement incentive.
- Sponsorship policy/TV advertising.
- Evaluate alternate energy sources, solar.
- Continue to look at cost-saving ideas.
- Continue to look at shared services.
- Review of staffing.
- Outsource of food concessions (Heuser/Baxter/Walker).
- Ask consultants to hold rates.
- Re-evaluate 4<sup>th</sup> of July celebration (charge parking fee).
- Reduce State road maintenance.
- Eliminate backyard beautification awards.
- Go paperless (electronic agenda packets).
- Revenue generation (new sources/methods/areas).
- Re-evaluate support/utilities/grants re: sports organizations.

- Refinancing bonds.
- Long-term strategies of Township revenue streams.
- Township-owned vehicles.
- Winter maintenance.
- Residents maintain trees right of way.
- Evaluate Township subsidy of senior center.
- Re-evaluate Norview Farm and health care costs for animals.
- Increase fees for Farmers market.
- Re-visit tax.
- Establish performance benchmarks for staff/departments.
- Market TV production services for outside services.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Upper Merion Township for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010. This was the fourteenth consecutive year that the Township has achieved this prestigious award.

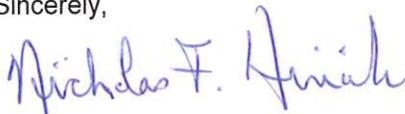
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report would have been impossible without the hard work of the Finance and Administration Department Staff, not just in the compilation of information at year-end, but in maintaining the Township's financial records and fiscal control system throughout the year. Special thanks to Assistant Township Manager Judy Vicchio, Accounting Manager Marie Maharty and Accounts Receivable Director Michele Delli Pizzi for their continuing efforts to improve the Township's financial reporting.

We also greatly appreciate the ongoing support and guidance we receive from the Township Manager, Ronald G. Wagenmann, and the Board of Supervisors.

Sincerely,



Nicholas F. Hiriak  
Director of Finance and Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Upper Merion Township  
Pennsylvania

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



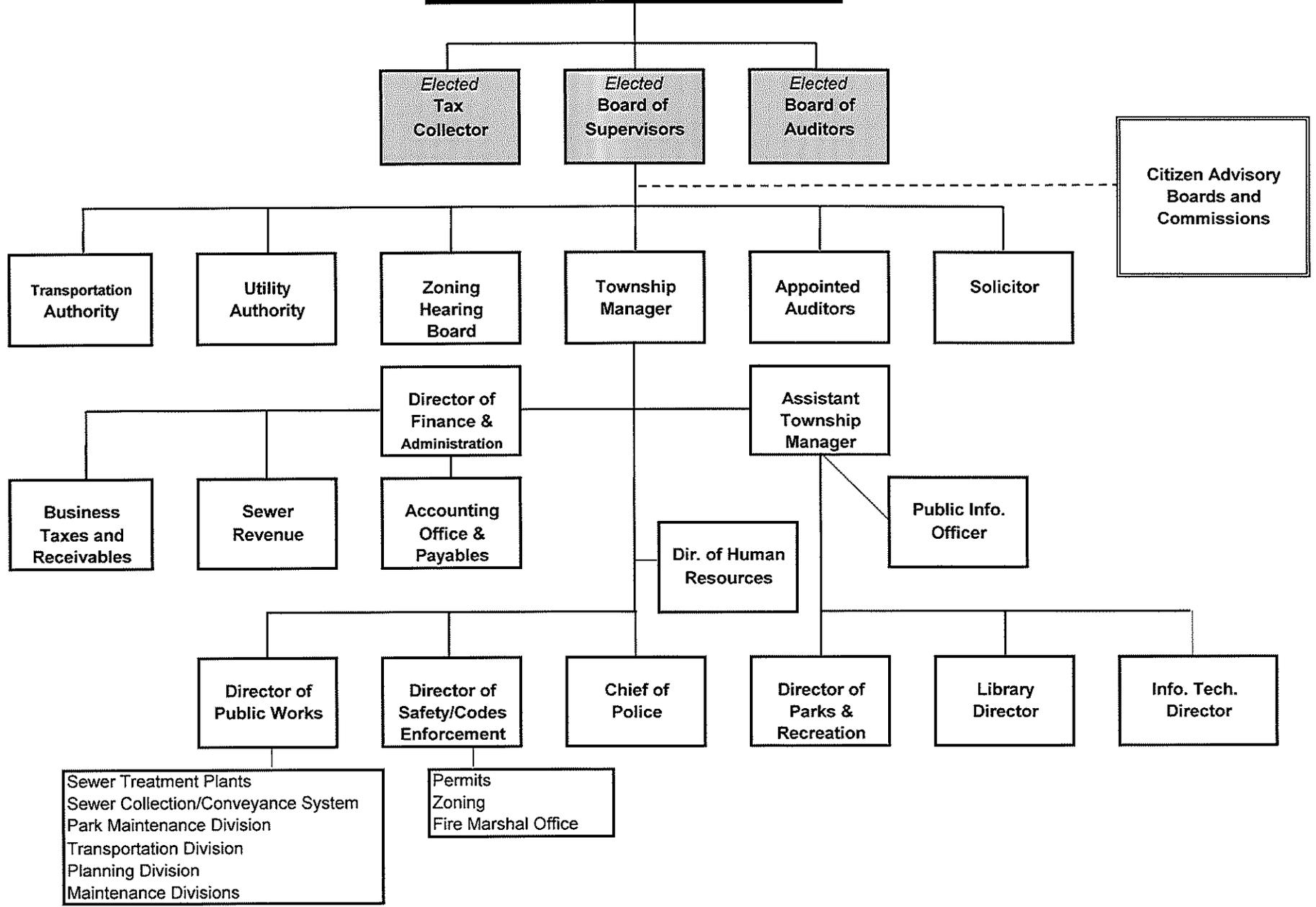
*Linda C. Dandson*

President

*Jeffrey R. Enev*

Executive Director

# Upper Merion Voters



x

**Upper Merion Township**  
Montgomery County, Pennsylvania

**2011 TOWNSHIP OFFICIALS**

**ELECTED OFFICIALS**

Governing Body:	
Chairman, Board of Supervisors	Edward McBride
Vice-Chairman, Board of Supervisors	William Jenaway
Member, Board of Supervisors	Joseph N. Bartlett, Jr.
Member, Board of Supervisors	Erika Spott
Member, Board of Supervisors	Greg Waks
Elected Auditors:	
Chairman	George Shoffner, CPA
Vice-Chairman	Van Weiss
Secretary	Lynn Cosentino
Tax Collector	Rose Hykel

**APPOINTED OFFICIALS**

Township Manager	Ronald G. Wagenmann
Assistant Township Manager	Judith A. Vicchio
Director of Finance & Administration	Nicholas F. Hiriak
Library Director	Karl W. Helicher
Director of Parks & Recreation	Daniel Russell
Chief of Police	Ronald Fonock
Director of Public Works	Edward O'Brien
Director of Safety & Codes Enforcement	John R. Waters
Information Technology Director	Scott Widenhofer
Township Solicitor	Joseph J. Pizonka, Esq. Pizonka, Reilley, Bello & McGrory
Township Engineer	Russell Benner, P.E. T & M Associates
Township Appointed Auditors	Maillie, Falconiero & Co., LLP Certified Public Accountants



# MAILLIE, FALCONIERO & COMPANY, LLP

*Certified Public Accountants and Business Counselors*

www.maillie.com

PO Box 680  
Oaks, PA 19456-0680  
610-935-1420  
Fax: 610-935-1632

PO Box 3068  
West Chester, PA 19380-3068  
610-696-4353  
Fax: 610-430-8811

## Independent Auditors' Report

To the Board of Supervisors  
Upper Merion Township  
King of Prussia, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Upper Merion Township as of December 31, 2011, and for the year then ended, which collectively comprise the Upper Merion Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Upper Merion Township's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Upper Merion Township as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16, description of funds on page 58, budgetary comparison information on pages 59 through 61, trend data on infrastructure condition on page 63 and pension plan funding progress on page 64 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 evidence sufficient to express an opinion or provide any assurance.

To the Board of Supervisors  
Upper Merion Township  
King of Prussia, Pennsylvania

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Merion Township's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Merion Township's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Maillie Falconier + Company, LLP*

Oaks, Pennsylvania  
June 25, 2012

## UPPER MERION TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

Our discussion and analysis of Upper Merion Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Township's financial statements, which begin with the statement of net assets.

#### FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities by \$82,346,575 (net assets).
- The Township's investment in assets increased by \$1,513,744, due to investments in automobiles and trucks, replacements of fire and rescue apparatus, infrastructure projects and other park improvements as well as an increase in cash and investments.
- The Township continued the Homestead Real Estate Tax Exclusion program for all primary (owner-occupied) residential real estate property.
- The Township issued General Obligation Bonds, Series of 2011, and was rated by Moody's Investor Services and reaffirmed Aaa status.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Township. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position.

Management's discussion and analysis (MD&A), prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net assets, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net assets and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

- The *statement of net assets* focuses on resources available for future operations. This statement presents a snapshot view of the assets the Township owns, the liabilities it owes and the net difference.

## UPPER MERION TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

- The *statement of activities* focuses on gross and net costs of Township programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- *Fund financial statements* focus separately on major Governmental Funds, the Proprietary Fund and Fiduciary Fund. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net assets, revenues, expenses and changes in net assets and cash flows. The Proprietary Fund represents the Township's Sewer Operating Fund and can be found in more detail beginning with the statement of net assets, Proprietary Fund. The Fiduciary Fund is used to account for resources held for the benefit of parties outside the government. The Fiduciary Fund is not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

Other required supplementary information is additional information consisting of budgetary comparisons for the General Fund, trend data on infrastructure condition and pension plan funding progress.

Other supplementary information consists of the balance sheets and schedules of revenues, expenditures and changes in fund balances for the Library Operations Fund and Other Governmental Funds and schedule of changes in assets and liabilities for the Agency Fund.

## REPORTING THE TOWNSHIP AS A WHOLE

### Statement of Net Assets and Statement of Activities

Our analysis of the Township as a whole begins with the statement of net assets. 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 assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. In these statements, we divide the Township into three kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including police, public works, safety and codes, library, parks and recreation and administration. Real estate and business taxes, fees and charges and grants finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to customers to help it cover most of the cost of certain services it provides. The Township's sewer system is reported here.

# UPPER MERION TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

- **Component Units** - The Township includes three separate legal entities in this report: the Municipal Utility Authority, the Transportation Authority and the General Authority. Although legally separate, these component units are important because the Township is financially accountable for them. Additional financial information regarding the Township's component units can be found in the statement of net assets and statement of activities of this report. Separately audited annual financial reports of these component units may be obtained from the Township's Finance Director.

The analysis below focuses on the net assets (Tables 1 and 2) and changes in net assets (Tables 3 and 4) of the Township's governmental and business-type activities.

**Table 1**  
**Condensed Statement of Net Assets**  
**December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash and investments	\$ 27,734,810	\$ 8,366,279	\$ 36,101,089
Other assets	13,167,377	1,918,544	15,085,921
Capital assets, net of accumulated depreciation	<u>57,542,065</u>	<u>3,166,839</u>	<u>60,708,904</u>
TOTAL ASSETS	<u>98,444,252</u>	<u>13,451,662</u>	<u>111,895,914</u>
<b>LIABILITIES</b>			
Other liabilities	2,308,984	224,299	2,533,283
Long-term liabilities	<u>27,016,056</u>	-	<u>27,016,056</u>
TOTAL LIABILITIES	<u>29,325,040</u>	<u>224,299</u>	<u>29,549,339</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	30,841,168	3,166,839	34,008,007
Restricted	5,931,599	-	5,931,599
Unrestricted	<u>32,346,445</u>	<u>10,060,524</u>	<u>42,406,969</u>
TOTAL NET ASSETS	<u>\$ 69,119,212</u>	<u>\$ 13,227,363</u>	<u>\$ 82,346,575</u>

**UPPER MERION TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2011*

**Table 2**  
**Condensed Statement of Net Assets**  
**December 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash and investments	\$ 25,969,285	\$ 8,730,482	\$ 34,699,767
Other assets	15,374,399	2,024,481	17,398,880
Capital assets, net of accumulated depreciation	57,610,159	2,952,646	60,562,805
<b>TOTAL ASSETS</b>	<u>98,953,843</u>	<u>13,707,609</u>	<u>112,661,452</u>
<b>LIABILITIES</b>			
Other liabilities	2,432,213	222,190	2,654,403
Long-term liabilities	29,174,218	-	29,174,218
<b>TOTAL LIABILITIES</b>	<u>31,606,431</u>	<u>222,190</u>	<u>31,828,621</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,838,515	2,952,646	31,791,161
Restricted	5,449,400	-	5,449,400
Unrestricted	33,059,497	10,532,773	43,592,270
<b>TOTAL NET ASSETS</b>	<u>\$ 67,347,412</u>	<u>\$ 13,485,419</u>	<u>\$ 80,832,831</u>

Analysis as of December 31, 2011, shows that cash and investments represent 28.2% of Upper Merion Township's total governmental assets, an increase of 2% over 2010. Of this amount, \$1,760,012 is reserved for capital equipment replacement (e.g., police vehicles, trucks and plows, etc.). Since the Township relies heavily on the business and mercantile taxes, which generate over 40% of operating revenues (General Fund), a Revenue Stabilization Fund of \$2,000,000 is committed for operating expenses in the event that business tax revenues experience a sharp decline. The Township has also assigned \$1,453,755 that reflects possible contractual obligations of police and management personnel.

By far the largest portion of the Township's governmental assets, 58.5%, reflects its investment in capital assets (e.g., land, buildings, streets, recreation equipment). The Township uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

Assets in the business-type activities column reflect the Township's investment in its sewer system. The Township operates and maintains two waste treatment plants, 12 pumping stations and 123 miles of sewer lines. The \$8.4 million in cash and investments allows for future investment in the sewer facilities.

Accumulated depreciation reflects 30.6% of total capital assets for governmental activities and 53.7% of total capital assets for business-type activities. The low percentage rates reflect the Township's continued commitment to provide services through effective and efficient use of resources.

## UPPER MERION TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

#### Governmental Activities

The Township generates governmental revenues, which include the General Fund, from a variety of sources. Total revenue, excluding transfers and gain on sale of assets, for governmental activities for fiscal 2011 was \$28,988,602. Revenues by source are presented in Table 3.

Business privilege tax revenue is the largest source of Governmental Fund revenues and accounts for 20.7% of total revenues. Property tax revenue is the second largest source, accounting for 20.5% of total revenues. In the past, property tax revenue generated the most of all Governmental Fund revenues, but the impact of property assessment appeals is beginning to erode away at this revenue source.

For fiscal 2011, the Township's Board of Supervisors was desirous of reducing the real estate tax burden on a property owner's primary residential dwelling. In conjunction with Pennsylvania's Homeowner Property Tax Relief Act (Act 72), a Homestead Tax Exclusion Program was continued by the Township. This program reduces the taxable assessment for qualified homesteads by \$72,500.

For fiscal 2011, total revenue increased by approximately 11.4% and can be attributed primarily to an increase in charges for services for commercial building permits from the Wegman's food market as well as from the 113-room Spring Hill Suites and 147-unit Hotel Sierra. The Township also received a number of grants for capital purposes during the course of 2011. The grant revenue is not anticipated to be a normal flow for future years.

Business privilege and mercantile tax is based on the gross sales of retail, manufacturing and services business and is up 9.5% from 2010 and reveals an increase in consumer spending and business commerce. This revenue source accounts for over 33% of governmental activities revenues. Due to the economic effect on this tax and its volatile nature, the Township keeps a very watchful eye on collections during the year. Even though consumer spending has shown signs of improvement, the Township remains aware that it could take years for the revenue to return to pre-recession levels.

Investment income is also down measurably by 55%. This reduction is definitely driven by the low interest rate environment, as the Township's available funds to invest increased by approximately 7% over 2010 levels.

Between 2006 and 2011, the Township's annualized assessed property valuation declined by 1.3% due to a combination of successful tax appeals and falling market values. Full valuation growth averaged 9.2% annually from 2004 to 2008 before declining by 5.2% in 2009, a further 5.2% in 2010 and a nominal 0.1% in 2011 as the Township absorbed the effects of the nationwide recession through property value declines. One other item of note is the transfer tax. This tax is calculated on the sales price of property, and revenue has declined since 2007 due to the slump in housing sales. The Township does not expect to see pre-recession revenue levels for some years to come.

The Township's governmental program, which includes the General Fund, consists of seven operating departments to include police, public works, safety and codes enforcement, library, parks and recreation, information technology and administration. Total expenses for fiscal 2011 were \$27,879,660. Expenses by source are presented in Table 3.

To combat falling revenues, the Township instituted a set of operating measures designed to reduce expenses but ensure that residents and customers will continue to be offered excellent services. A hiring freeze was instituted. Staff members have been reduced by 20 positions due to early retirements, terminations and attrition.

## UPPER MERION TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

*Year Ended December 31, 2011*

Some other measures implemented include the elimination of snowplowing and winter maintenance services in the Township's parks, elimination of path lighting for the winter months and ending upkeep of unused areas of two of the larger Township parks. All other controllable operating expenses were frozen at 2010 levels.

From this data, you can see that the Township's overall financial position from governmental activities has improved in 2011 over that of 2010. Cash and investments were up 6.8% as well as a total revenue increase of 11.4%. Fund balance was not drawn down, as was planned in the 2011 budget. Instead, the Township's fund balance for the General Fund (operating) increased by \$444,619 (exclusion of prepaid expenses) over 2010. 2010 is the second consecutive year for increase in fund balance as compared to the draw down by over \$2.5M in 2009. The total expenses for 2011 were 4.8% more than the 2010 total and are reflective of the contractual wage increases. All other expenses were held at 2010 levels or less. The Township's continued conservative budgeting, ample reserve levels and strong financial management were able to continue to mitigate the effects of weakened revenues stemming from the effects of the economic downturn.

#### **Business-Type Activities**

Business-type activities comprise the Township's sewer system. Total revenue from this activity is \$5,674,051. Charges for services account for \$5,658,177 or 99% of operating revenue. There was an increase to sewer rental rates of \$2.00/quarter for 2011 to be set aside to fund future capital maintenance projects. Expenses to operate the system total \$5,431,537.

From an overall financial position compared to 2010, the Sewer Revenue Fund is financially and operationally holding its own at the current time. Total current assets, which include cash, investments, prepaid expenses and receivables, have remained at basically the same level in 2011 (\$10,503,153) as it was in 2010 (\$10,967,414). Revenues for 2011, as shown above, are comparable to those of 2010 (\$5,786,807) and expenses for 2011, as shown above, are also basically comparable to the amount for 2010 (\$5,204,398).

**UPPER MERION TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2011*

**Table 3**  
**Changes in Net Assets**  
**Year Ended December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 5,358,660	\$ 5,658,177	\$ 11,016,837
Operating/capital grants and contributions	4,208,764	-	4,208,764
General revenues			
Property taxes	5,941,268	-	5,941,268
Amusement taxes	28,804	-	28,804
Business privilege taxes	6,012,959	-	6,012,959
Local services taxes	2,096,614	-	2,096,614
Mercantile taxes	3,729,490	-	3,729,490
Transfer taxes	550,384	-	550,384
Public utilities taxes	25,514	-	25,514
Investment income	62,852	15,874	78,726
Contributions	54,634	-	54,634
Miscellaneous	918,659	-	918,659
	<u>28,988,602</u>	<u>5,674,051</u>	<u>34,662,653</u>
<b>TOTAL REVENUES</b>			
<b>EXPENSES</b>			
Operating	6,247,906	-	6,247,906
General government	2,806,364	-	2,806,364
Police, health and public safety	10,861,407	-	10,861,407
Roads	2,879,183	-	2,879,183
Parks	2,295,422	-	2,295,422
Police and employee pension cost	1,033,717	-	1,033,717
Planning and code enforcement	1,244,002	-	1,244,002
Interest on long-term debt	511,659	-	511,659
Sewer	-	5,431,537	5,431,537
	<u>27,879,660</u>	<u>5,431,537</u>	<u>33,311,197</u>
<b>TOTAL EXPENSES</b>			
CHANGE IN NET ASSETS BEFORE TRANSFERS AND GAIN ON DISPOSAL OF ASSETS	1,108,942	242,514	1,351,456
TRANSFERS	500,570	(500,570)	-
GAIN ON DISPOSAL OF ASSETS	162,288	-	162,288
CHANGE IN NET ASSETS	1,771,800	(258,056)	1,513,744
NET ASSETS, BEGINNING	<u>67,347,412</u>	<u>13,485,419</u>	<u>80,832,831</u>
NET ASSETS, ENDING	<u>\$ 69,119,212</u>	<u>\$ 13,227,363</u>	<u>\$ 82,346,575</u>

**UPPER MERION TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

**Table 4**  
**Changes in Net Assets**  
**Year Ended December 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 4,270,975	\$ 5,742,325	\$ 10,013,300
Operating/capital grants and contributions	2,365,562	-	2,365,562
General revenues			
Property taxes	6,301,000	-	6,301,000
Amusement taxes	38,771	-	38,771
Business privilege taxes	5,671,094	-	5,671,094
Emergency and municipal services taxes	1,991,738	-	1,991,738
Mercantile taxes	3,223,606	-	3,223,606
Transfer taxes	959,263	-	959,263
Public utilities taxes	26,350	-	26,350
Investment income	140,701	44,482	185,183
Contributions	50,000	-	50,000
Miscellaneous	977,191	-	977,191
<b>TOTAL REVENUES</b>	<u>26,016,251</u>	<u>5,786,807</u>	<u>31,803,058</u>
<b>EXPENSES</b>			
Operating	6,022,137	-	6,022,137
General government	2,728,411	-	2,728,411
Police, health and public safety	10,074,422	-	10,074,422
Roads	2,901,683	-	2,901,683
Parks	2,164,886	-	2,164,886
Police and employee pension cost	916,317	-	916,317
Planning and code enforcement	1,083,782	-	1,083,782
Interest on long-term debt	717,568	-	717,568
Sewer	-	5,204,398	5,204,398
<b>TOTAL EXPENSES</b>	<u>26,609,206</u>	<u>5,204,398</u>	<u>31,813,604</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS AND GAIN ON DISPOSAL OF ASSETS</b>	(592,955)	582,409	(10,546)
<b>TRANSFERS</b>	221,750	(221,750)	-
<b>GAIN ON DISPOSAL OF ASSETS</b>	<u>125,561</u>	<u>-</u>	<u>125,561</u>
<b>CHANGE IN NET ASSETS</b>	(245,644)	360,659	115,015
<b>NET ASSETS, BEGINNING</b>	<u>67,593,056</u>	<u>13,124,760</u>	<u>80,717,816</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 67,347,412</u>	<u>\$ 13,485,419</u>	<u>\$ 80,832,831</u>

**UPPER MERION TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2011*

**FINANCIAL ANALYSIS OF THE TOWNSHIP FUNDS**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Township's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the Township's Governmental Funds reported combined ending balances of \$26,910,882, an increase of \$1,769,869 as compared to the prior year. Approximately 2% or \$421,334 is nonspendable because it is in a nonspendable form as a prepaid expense or a loan receivable. Approximately 22%, or \$5,931,599, is restricted and includes amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation and include amounts for debt service and liquid fuels. The committed amount, which is approximately 7%, or \$2,000,000, is for a specific purpose imposed by the Township's Governing Body, the Board of Supervisors, for revenue stabilization of the business and mercantile tax collection. The assigned categories of fund balance account for approximately 50% or \$13,337,743. Assigned categories include amounts for next year's budget, contractual commitments, equipment replacement, capital projects and property/liability insurance contingency. Finally, the remainder of fund balance, approximately 19%, or \$5,220,206, is unassigned and includes all amounts not contained in the other classification. This amount is technically available for any purpose. It is the policy of the Township to retain a minimum of 15% of the subsequent year operating budget in the unassigned category. The following paragraphs denote the more specific underlying reasons for the changes in fund balance.

The **General Fund** is the chief operating fund of Upper Merion Township. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,220,206, while total fund balance reached \$15,319,787. The fund balance of the General Fund increased by \$444,619 (exclusive of prepaid expenses) in fiscal year 2011 as a result of a combination of operating cost management as well as enhanced revenue collections from the building permits. Also to note, the \$1,457,502 budgeted reserve draw was not needed and those funds remained in fund balance.

The **Fire Apparatus Fund** has a total fund balance as of December 31, 2011, of \$3,297,454, of which \$3,202,941 is reserved for expenses of fire and rescue apparatus and equipment for the King of Prussia, Swedeland and Swedesburg Volunteer Fire Companies and the Lafayette Ambulance Squad. This fund also provides for the annual allocation to the volunteer firefighter's pension fund as well as expense for medical examinations. The remaining balance is nonspendable for long-term loans receivable. Revenue for this funding source is derived from a .096 mill tax on real estate. Apparatus purchases are determined from a vehicle replacement schedule developed by the Township's Fire and Rescue Services Citizen Board, but purchases must be approved by the Township's Board of Supervisors. This balance fluctuates, from year to year, based primarily on equipment purchased.

## UPPER MERION TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

*Year Ended December 31, 2011*

The **Capital Acquisition Fund** has a total fund balance of \$4,994,554, all of which is reserved for capital improvements or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or Other Governmental Funds. Various projects were initiated and/or completed through this fund during fiscal 2011. The year's major capital additions are highlighted in subsequent pages of this analysis. This balance fluctuates, from year to year, based on the initiatives of the Governing Body, Township Staff as well as funding sources.

The **General Obligation Fund** has a total fund balance of \$436,355, all of which is reserved for capital improvements or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or Other Governmental Funds. This fund reports a minor decrease of approximately \$46 thousand due to some draws for stormwater damage.

**Other Governmental Funds** are maintained to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Other Governmental Funds include State Liquid Fuels, UMT Foundation, Municipal Building, Debt Service, Capital Tax, Park Capital and Open Space. The major revenue sources for these funds are the real estate tax revenue, subsidies from the Commonwealth of Pennsylvania and any contributions or donations from private sources. The total fund balance as of December 31, 2011, is \$2,862,732, an increase from fiscal 2010 due to a reduction of street resurfacing projects for 2011.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments fall into two categories--transfers or supplemental appropriations--and can only be made after April 1 of the budget year in accordance with the Pennsylvania Second Class Township Code. Transfers made between budget line items (objects) and supplemental appropriations are a result of additional unanticipated revenues. The following is a brief summary of budget amendments between the original budget and the final amended budget for fiscal 2011:

- \$30,000 increase to vehicle maintenance in the Police Department for an increase of unanticipated repairs to police fleet vehicles.
- \$5,000 increase to vehicle maintenance in the Safety/Codes Department for unanticipated repairs to department fleet vehicles.
- \$22,830 increase to equipment in the Public Works Department for increased repairs to department fleet vehicles and motorized equipment.
- \$7,500 increase to fuel expense in the Public Works Department due to abnormal weather events during 2011 for snow/ice control and wind/rain damages.

Significant budgetary variances between final amended budget and actual results are as follows:

- \$451,430 increase in mercantile and business privilege tax due to an increase in consumer spending as well as commercial commerce.
- \$664,571 increase in construction permits due to unexpected revitalization of some older commercial properties and construction of two hotels.

## UPPER MERION TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

- \$176,218 decrease in park/recreation program fees, but with a corresponding reduction of \$179,590 of program expenses.
- \$152,477 increase in grants due to an additional one-time payment of state aid from the Commonwealth of PA for police pension plan obligations.
- \$456,838 decrease in insurance expense due to continued participation in the Delaware Valley Health Trust pooled health program.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Upper Merion Township's investment in capital assets for its governmental and business-type activities as of December 31, 2011 and 2010, totals \$60,708,904 and \$60,562,805, respectively (net of accumulated depreciation). Township investment in capital assets includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure (see Table 5). Infrastructure includes roads, bridges, stormwater and sewer lines and traffic signals.

This year's major additions included:

Adaptive Traffic Signal Equipment	\$	203,300
Vehicle and motorized equipment purchases for police, fire and rescue services and public works		612,865
Component replacements and upgrades for sewer treatment plants		449,725
Roof replacement on Township Building		296,500
Sewer line replacement and upgrades		387,385
Allendale Road Bridge (design)		107,770
Sumner Dam project		717,832

Property, plant, system infrastructure and equipment of the primary government, as well as the component units, are depreciated using the straight-line method. However, for road and street infrastructure, the Township elected to use the modified approach. For 2011, the Township did not have a resurfacing program due to budgetary constraints.

As 2011 was the second consecutive year of not having a road/street resurfacing program, the street condition level has dropped below the Township's minimum targeted condition level of 6.75.

The modified approach is described in more detail in the required supplementary information to the financial statements.

**UPPER MERION TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

**Table 5  
Capital Assets at Year-End  
(Net of Depreciation)  
Year Ended December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>			
Land	\$ 19,677,920	\$ -	\$ 19,677,920
Infrastructure	12,770,076	-	12,770,076
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>32,447,996</u>	<u>-</u>	<u>32,447,996</u>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>			
Library collection	400,979	-	400,979
Land improvements	7,006,291	271	7,006,562
Buildings and improvements	2,678,014	789,531	3,467,545
Furniture and equipment	1,083,478	928,020	2,011,498
Automobiles and trucks	2,860,702	-	2,860,702
Infrastructure	11,064,605	1,449,017	12,513,622
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>25,094,069</u>	<u>3,166,839</u>	<u>28,260,908</u>
<b>TOTAL CAPITAL ASSETS, net</b>	<u>\$ 57,542,065</u>	<u>\$ 3,166,839</u>	<u>\$ 60,708,904</u>

Additional information on the Township's capital assets can be found in Notes A and E to the financial statements.

**Debt**

At year-end, the Township had \$27,050,800 in outstanding debt compared to \$28,960,000 last year for governmental activities. \$3,135,326 of the debt is due within one year. There is no debt for business-type activities. Also, debt (notes payable) from the Township's component units totals \$8,525,000 for the Municipal Utility Authority and \$3,010,000 for the General Authority.

# UPPER MERION TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

**Table 6**  
**Outstanding Debt at Year-End**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Obligation Bonds	\$ 26,240,000	\$ 28,960,000
Notes payable	<u>810,800</u>	<u>-</u>
	<u>27,050,800</u>	<u>28,960,000</u>
<b>COMPONENT UNITS</b>		
Notes payable	<u>11,535,000</u>	<u>13,625,000</u>
	<u>\$ 38,585,800</u>	<u>\$ 42,585,000</u>

Additional information on Upper Merion Township's debt can be found in Notes F and H to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

### Economic Factors

The economic growth in the Township has been driven in large part by business development and retail sales.

Collections of business gross receipts/mercantile taxes are a good indicator of local economic conditions. For 2011, the Township's collection of these taxes was \$9,742,449, which is an increase of 9.5% from 2010. From the onset of the recession, this tax has decreased over 14% and the reduction of this revenue source has had a negative impact to the Township's operations. Since this tax accounts for over 40% of the Township's operating revenue, monitoring of these collections will be extremely important for future years as we progress through the recovery.

Despite the lack of significant growth in population over the past decade, development has continued. During 2011, 301 use and occupancy permits were issued and were down by approximately 5% from 2010 and a total of 19% since the onset of the recession. New commercial development is beginning to increase with the construction of two hotels and the Wegman's food market. Other development activity is coming in the form of redevelopment of existing properties as well.

Housing still remains a center of uncertainty. Home sales continue to be stagnating with a continued downward pressure on prices. According to the most widely followed home price index, S&P/Case Shiller, home prices have returned to 2002 levels and median home prices have dropped more than 30% from the highs of 2006. This market has a direct impact on the Township's collection of property transfer tax. Revenues from this sector have decreased by approximately 59% from the high of 2007.

**UPPER MERION TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended December 31, 2011*

However, the Township's financial outlook appears to be stabilizing. With increases in building permit revenue and business taxes, reserve levels have remained strong for the last two years. The Township's intent is to keep reserve levels strong for the foreseeable future given our conservative budgeting practices. Assessed values are likely to stabilize in the near-term before returning to growth due to renewed development activity.

The following economic strengths and challenges have been identified as follows.

Strengths:

- Sizable tax base with above average wealth levels.
- Satisfactory financial flexibility due to ample reserves.
- Favorable location given proximity to nearby Philadelphia.

Challenges:

- Mature tax base with limited developable land remaining.
- Slower recurring revenue growth following recession.

As shown in the data below, Upper Merion Township is slightly wealthier than Montgomery County as a whole. Both Montgomery County and Upper Merion Township are substantially wealthier than the Commonwealth of Pennsylvania and the nation. The factors that create this wealth, such as higher educational achievement and an abundance of higher paying technical and service jobs, continue to be the area's strong points.

	<u>Upper Merion Township</u>	<u>Montgomery County</u>	<u>Pennsylvania</u>	<u>United States</u>
Per capita income	\$ 38,780	\$ 40,076	\$ 27,049	\$ 27,334
Median family income	\$ 72,357	\$ 76,380	\$ 50,398	\$ 51,914
Percentage of population below poverty level	4.1%	5.6%	12.4%	13.8%

Source: U.S. Census Bureau (2010 Census)

**Next Year's Budget**

The 2012 budget is an ultra-conservative spending plan; and, as per the Board of Supervisor's budget guidelines, it contains an increase of 5.7% (4.5% contractual wages) over the 2011 adopted budget. As the Township progresses through 2012, this budget will require management by the Board and staff to ensure that the Township can live within this spending plan. In 2012, the Township will continue to monitor revenue projections and make conservative financial decisions to ensure that all revenues will be collected and expenditures monitored. The Township will continue to provide a level of service that at least equals in value the taxes paid by the average property owner.

**REQUESTS FOR INFORMATION**

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 funds it receives and disburses. If you have questions about this report or to request additional financial information (to include component units), please contact the Director of Finance and Administration at 175 West Valley Forge Road, King of Prussia, PA 19406.

## **BASIC FINANCIAL STATEMENTS**

**UPPER MERION TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
*December 31, 2011*

	Primary Government			Component Units		
	Governmental	Business-Type	Totals	Municipal	Transportation	General
	Activities	Activities		Utility Authority	Authority	Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,629,688	\$ 4,082,995	\$ 13,712,683	\$ 4,787,651	\$ 15	\$ 76,230
Investments	18,105,122	4,283,284	22,388,406	4,641,062	4,849,006	-
Receivables, net	876,620	1,786,617	2,663,237	-	452,603	-
Note receivable	11,535,000	-	11,535,000	-	-	-
Internal balances	218,330	(218,330)	-	-	-	-
Due from Transportation Authority	15,447	-	15,447	-	-	-
Due from Municipal Utility Authority	-	86,129	86,129	-	-	-
Prepaid expenses	326,821	264,128	590,949	-	-	-
Deferred charges	195,159	-	195,159	106,933	-	37,904
Capital assets						
Library books	3,754,852	-	3,754,852	-	-	-
Land	19,677,920	-	19,677,920	-	-	-
Land improvements	12,425,433	8,145	12,433,578	-	-	-
Buildings and improvements	5,345,070	2,652,303	7,997,373	52,734,180	-	8,072,168
Furniture and equipment	4,003,165	1,595,496	5,598,661	-	-	-
Automobiles and trucks	9,718,139	481,465	10,199,604	-	-	-
Infrastructure	28,042,642	2,102,055	30,144,697	-	-	-
Accumulated depreciation	(25,425,156)	(3,672,625)	(29,097,781)	(32,377,871)	-	(4,510,886)
<b>TOTAL ASSETS</b>	<b>\$ 98,444,252</b>	<b>\$ 13,451,662</b>	<b>\$ 111,895,914</b>	<b>\$ 29,891,955</b>	<b>\$ 5,301,624</b>	<b>\$ 3,675,416</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Due to primary government	\$ -	\$ -	\$ -	\$ 86,129	\$ 15,447	\$ -
Accounts payable	876,625	161,690	1,038,315	12,464	219,162	-
Accrued salaries and benefits	958,273	62,609	1,020,882	-	-	-
Accrued interest	159,086	-	159,086	76,982	-	27,187
Unearned revenue	315,000	-	315,000	-	-	-
Long-term liabilities						
Portion due or payable within one year						
Bonds and notes payable	3,135,326	-	3,135,326	1,610,000	-	570,000
Settlement payable	60,000	-	60,000	-	-	-
Portion due or payable after one year						
Bonds and notes payable	23,760,730	-	23,760,730	6,711,884	-	2,359,370
Settlement payable	60,000	-	60,000	-	-	-
<b>TOTAL LIABILITIES</b>	<b>29,325,040</b>	<b>224,299</b>	<b>29,549,339</b>	<b>8,497,459</b>	<b>234,609</b>	<b>2,956,557</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	30,841,168	3,166,839	34,008,007	12,141,358	-	355,865
Restricted for debt service	4,759,542	-	4,759,542	-	-	-
Restricted for liquid fuels	1,172,057	-	1,172,057	-	-	-
Unrestricted	32,346,445	10,060,524	42,406,969	9,253,138	5,067,015	362,994
<b>TOTAL NET ASSETS</b>	<b>69,119,212</b>	<b>13,227,363</b>	<b>82,346,575</b>	<b>21,394,496</b>	<b>5,067,015</b>	<b>718,859</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 98,444,252</b>	<b>\$ 13,451,662</b>	<b>\$ 111,895,914</b>	<b>\$ 29,891,955</b>	<b>\$ 5,301,624</b>	<b>\$ 3,675,416</b>

See accompanying notes to the basic financial statements.

**UPPER MERION TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
*Year Ended December 31, 2011*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Totals	Municipal Utility Authority	Transportation Authority	General Authority
<b>PRIMARY GOVERNMENT</b>										
Governmental activities										
Operating	\$ 6,247,906	\$ 3,970,607	\$ 83,655	\$ -	\$ (2,193,644)	\$ -	\$ (2,193,644)	\$ -	\$ -	\$ -
General government	2,806,364	-	-	-	(2,806,364)	-	(2,806,364)	-	-	-
Police, health and public safety	10,861,407	589,016	8,617	-	(10,263,774)	-	(10,263,774)	-	-	-
Roads	2,879,183	21,398	2,638,459	-	(219,326)	-	(219,326)	-	-	-
Parks	2,295,422	777,639	-	-	(1,517,783)	-	(1,517,783)	-	-	-
Police and employee pension cost	1,033,717	-	1,478,033	-	444,316	-	444,316	-	-	-
Planning and code enforcement	1,244,002	-	-	-	(1,244,002)	-	(1,244,002)	-	-	-
Interest on long-term debt	511,659	-	-	-	(511,659)	-	(511,659)	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	27,879,660	5,358,660	4,208,764	-	(18,312,236)	-	(18,312,236)	-	-	-
Business-type activities										
Sewer	5,431,537	5,658,177	-	-	-	226,640	226,640	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 33,311,197	\$ 11,016,837	\$ 4,208,764	\$ -	(18,312,236)	226,640	(18,085,596)	-	-	-
<b>COMPONENT UNITS</b>										
Municipal Utility Authority	\$ 1,590,964	\$ 2,302,662	\$ -	\$ 337,592	-	-	-	1,049,290	-	-
Transportation Authority	1,116,524	910,466	-	-	-	-	-	-	(206,058)	-
General Authority	330,558	647,986	-	-	-	-	-	-	-	317,428
TOTAL COMPONENT UNITS	\$ 3,038,046	\$ 3,861,114	\$ -	\$ 337,592	-	-	-	1,049,290	(206,058)	317,428
<b>GENERAL REVENUES</b>										
Property taxes, levied for general purposes					5,941,268	-	5,941,268	-	-	-
Amusement taxes					28,804	-	28,804	-	-	-
Business privilege taxes					6,012,959	-	6,012,959	-	-	-
Local services taxes					2,096,614	-	2,096,614	-	-	-
Mercantile taxes					3,729,490	-	3,729,490	-	-	-
Transfer taxes					550,384	-	550,384	-	-	-
Public utilities taxes					25,514	-	25,514	-	-	-
Investment income					62,852	15,874	78,726	66,493	16,492	26
Contributions					54,634	-	54,634	-	-	-
Miscellaneous					918,659	-	918,659	-	-	-
Gain on sale of assets					162,288	-	162,288	2,790	-	-
TRANSFERS					500,570	(500,570)	-	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					20,084,036	(484,696)	19,599,340	69,283	16,492	26
CHANGE IN NET ASSETS					1,771,800	(258,056)	1,513,744	1,118,573	(189,566)	317,454
NET ASSETS AT BEGINNING OF YEAR					67,347,412	13,485,419	80,832,831	20,275,923	5,256,581	401,405
NET ASSETS AT END OF YEAR					\$ 69,119,212	\$ 13,227,363	\$ 82,346,575	\$ 21,394,496	\$ 5,067,015	\$ 718,859

See accompanying notes to the basic financial statements.

**UPPER MERION TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*December 31, 2011*

	<u>General Fund</u>	<u>Fire Apparatus Fund</u>	<u>Capital Acquisition Fund</u>	<u>General Obligation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,864,100	\$ 1,760,952	\$ 4,636	\$ -	\$ -	\$ 9,629,688
Investments	8,175,548	1,439,255	5,182,905	436,355	2,871,059	18,105,122
Taxes receivable, net	218,696	6,039	-	-	18,939	243,674
Due from component unit	15,447	-	-	-	-	15,447
Due from other fund	218,330	-	-	-	-	218,330
Other receivables	303,188	96,726	233,032	-	-	632,946
Prepaid items	326,821	-	-	-	-	326,821
<b>TOTAL ASSETS</b>	<b>\$ 17,122,130</b>	<b>\$ 3,302,972</b>	<b>\$ 5,420,573</b>	<b>\$ 436,355</b>	<b>\$ 2,889,998</b>	<b>\$ 29,172,028</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 438,208	\$ 592	\$ 426,019	\$ -	\$ 11,806	\$ 876,625
Accrued salaries and benefits	958,273	-	-	-	-	958,273
Deferred revenue	405,862	4,926	-	-	15,460	426,248
<b>TOTAL LIABILITIES</b>	<b>1,802,343</b>	<b>5,518</b>	<b>426,019</b>	<b>-</b>	<b>27,266</b>	<b>2,261,146</b>
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid expenses	326,821	-	-	-	-	326,821
Long-term loans receivable	-	94,513	-	-	-	94,513
Restricted for						
Debt service	-	3,202,941	-	-	1,556,601	4,759,542
Liquid fuels	-	-	-	-	1,172,057	1,172,057
Committed to revenue stabilization	2,000,000	-	-	-	-	2,000,000
Assigned to						
Subsequent year's budget	1,358,993	-	-	-	-	1,358,993
Contractual commitments	1,453,755	-	-	-	-	1,453,755
Equipment replacement	1,760,012	-	-	-	-	1,760,012
Capital projects	1,200,000	-	4,994,554	436,355	134,074	6,764,983
Property and liability insurance	2,000,000	-	-	-	-	2,000,000
Unassigned	5,220,206	-	-	-	-	5,220,206
<b>TOTAL FUND BALANCES</b>	<b>15,319,787</b>	<b>3,297,454</b>	<b>4,994,554</b>	<b>436,355</b>	<b>2,862,732</b>	<b>26,910,882</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,122,130</b>	<b>\$ 3,302,972</b>	<b>\$ 5,420,573</b>	<b>\$ 436,355</b>	<b>\$ 2,889,998</b>	<b>\$ 29,172,028</b>

*See accompanying notes to the basic financial statements.*

# UPPER MERION TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2011

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 26,910,882
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Library books	3,754,852
Land	19,677,920
Land improvements	12,425,433
Buildings and improvements	5,345,070
Furniture and equipment	4,003,165
Automobiles and trucks	9,718,139
Infrastructure	28,042,642
Accumulated depreciation	(25,425,156)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred charges	221,562
Accumulated amortization	(26,403)
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the governmental activities on the statement of net assets.</p>	
	11,535,000
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(159,086)
Bonds and notes payable	(27,050,800)
Settlement payable	(120,000)
Bond discounts and premiums	(131,697)
Deferred amount on refunding	286,441
<p>Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>111,248</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 69,119,212</u>

See accompanying notes to the basic financial statements.

**UPPER MERION TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2011*

	<u>General Fund</u>	<u>Fire Apparatus Fund</u>	<u>Capital Acquisition Fund</u>	<u>General Obligation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 17,310,627	\$ 319,561	\$ -	\$ -	\$ 1,543,297	\$ 19,173,485
Grants	1,588,939	-	2,090,887	-	-	3,679,826
Fines	330,510	-	-	-	-	330,510
Investment income	47,427	7,160	5,891	154	2,220	62,852
Permits and fees	3,640,039	-	-	-	-	3,640,039
Reimbursements	962,986	-	-	-	-	962,986
Parks and recreation	777,639	-	-	-	-	777,639
Contributions	-	-	76,032	-	-	76,032
Miscellaneous	403,205	-	3,000	-	138,542	544,747
<b>TOTAL REVENUES</b>	<u>25,061,372</u>	<u>326,721</u>	<u>2,175,810</u>	<u>154</u>	<u>1,684,059</u>	<u>29,248,116</u>
<b>EXPENDITURES</b>						
Current						
Operating	5,352,546	-	-	-	647,986	6,000,532
General government	2,365,878	-	-	-	-	2,365,878
Police, health and public safety	9,670,951	-	-	-	-	9,670,951
Roads	1,824,178	-	-	-	7,825	1,832,003
Parks	2,239,820	-	-	-	-	2,239,820
Police and employee pension cost	1,033,717	-	-	-	-	1,033,717
Planning and code enforcement	1,207,498	-	-	-	-	1,207,498
Refund of prior year revenues	209,296	24,980	-	-	47,138	281,414
Debt service						
Interest	-	-	-	14,241	502,848	517,089
Principal	-	-	-	-	795,000	795,000
Bond issue costs	-	-	-	74,095	-	74,095
Capital outlay	-	-	3,009,508	-	-	3,009,508
<b>TOTAL EXPENDITURES</b>	<u>23,903,884</u>	<u>24,980</u>	<u>3,009,508</u>	<u>88,336</u>	<u>2,000,797</u>	<u>29,027,505</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARD</b>	<u>\$ 1,157,488</u>	<u>\$ 301,741</u>	<u>\$ (833,698)</u>	<u>\$ (88,182)</u>	<u>\$ (316,738)</u>	<u>\$ 220,611</u>

**UPPER MERION TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

*Year Ended December 31, 2011*

	<u>General Fund</u>	<u>Fire Apparatus Fund</u>	<u>Capital Acquisition Fund</u>	<u>General Obligation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARDED	\$ 1,157,488	\$ 301,741	\$ (833,698)	\$ (88,182)	\$ (316,738)	\$ 220,611
OTHER FINANCING SOURCES (USES)						
Note issuance	810,800	-	-	-	-	810,800
Issuance of refunding bonds	-	-	-	4,610,000	-	4,610,000
Payment to refunded bond escrow agent	-	-	-	(4,532,840)	-	(4,532,840)
Bond discount	-	-	-	(1,560)	-	(1,560)
Proceeds from sale of capital assets	162,288	-	-	-	-	162,288
Transfers in	167,714	-	1,681,821	-	1,035,539	2,885,074
Transfers out	(1,526,850)	(175,774)	(164,395)	(34,122)	(483,363)	(2,384,504)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(386,048)</u>	<u>(175,774)</u>	<u>1,517,426</u>	<u>41,478</u>	<u>552,176</u>	<u>1,549,258</u>
NET CHANGE IN FUND BALANCES	771,440	125,967	683,728	(46,704)	235,438	1,769,869
FUND BALANCES AT BEGINNING OF YEAR	<u>14,548,347</u>	<u>3,171,487</u>	<u>4,310,826</u>	<u>483,059</u>	<u>2,627,294</u>	<u>25,141,013</u>
FUND BALANCES AT END OF YEAR	<u>\$ 15,319,787</u>	<u>\$ 3,297,454</u>	<u>\$ 4,994,554</u>	<u>\$ 436,355</u>	<u>\$ 2,862,732</u>	<u>\$ 26,910,882</u>

*See accompanying notes to the basic financial statements.*

# UPPER MERION TOWNSHIP

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

Year Ended December 31, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 1,769,869

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,432,891) exceeds capital outlays (\$2,364,797) in the current period.

(68,094)

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which deferred charges (\$74,095) exceed amortization (\$20,449) in the current period.

53,646

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.

21,900

Governmental Funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.

(2,090,000)

Borrowing of long-term debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net assets.

(5,420,800)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.

7,390,000

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.

107,901

SUBTOTAL ADJUSTMENTS FORWARD

\$ (5,447)

**UPPER MERION TOWNSHIP**

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

*Year Ended December 31, 2011*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 1,769,869
SUBTOTAL ADJUSTMENTS FORWARDED	(5,447)
 Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	<u>7,378</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,771,800</u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
*December 31, 2011*

	Enterprise Fund <u>Sewer Revenue Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 4,082,995
Investments	4,283,284
Receivables	1,786,617
Due from Municipal Utility Authority	86,129
Prepaid expenses	<u>264,128</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>10,503,153</b></u>
<b>CAPITAL ASSETS</b>	
Property and equipment	6,839,464
Accumulated depreciation	<u>(3,672,625)</u>
<b>TOTAL CAPITAL ASSETS</b>	<u><b>3,166,839</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 13,669,992</b></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Due to other fund	\$ 218,330
Accounts payable	161,690
Accrued salaries and benefits	<u>62,609</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>442,629</b></u>
<b>NET ASSETS</b>	
Invested in capital assets	3,166,839
Unrestricted	<u>10,060,524</u>
<b>TOTAL NET ASSETS</b>	<u><b>13,227,363</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 13,669,992</b></u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
*Year Ended December 31, 2011*

	Enterprise Fund <u>Sewer Revenue Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,599,569
Penalties	57,621
Other	987
	<u>5,658,177</u>
<b>TOTAL OPERATING REVENUES</b>	
<b>OPERATING EXPENSES</b>	
Administrative	855,875
Trout Run treatment plant	1,342,530
Pumping stations	1,354,805
Matsunk treatment plant	1,218,256
Contingencies	182,387
Depreciation	477,684
	<u>5,431,537</u>
<b>TOTAL OPERATING EXPENSES</b>	
<b>OPERATING INCOME</b>	226,640
<b>NONOPERATING REVENUES</b>	
Earnings on investments	<u>15,874</u>
<b>INCOME BEFORE INTERFUND TRANSFERS</b>	242,514
<b>INTERFUND TRANSFERS</b>	<u>(500,570)</u>
<b>CHANGE IN NET ASSETS</b>	(258,056)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>13,485,419</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 13,227,363</u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
*Year Ended December 31, 2011*

Enterprise  
Fund  
Sewer  
Revenue Fund

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 5,778,491
Payments to employees	(1,822,636)
Payments to suppliers	(3,149,364)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>806,491</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(500,570)
Due to other funds	5,879
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(494,691)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition, construction and improvements of capital assets	<u>(691,877)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Maturities of investments	1,090,477
Earnings on investments	15,874
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>1,106,351</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	726,274
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>3,356,721</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 4,082,995</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 226,640
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	477,684
(Increase) decrease in	
Receivables	120,314
Due from Municipal Utility Authority	14,967
Prepaid expenses	(35,223)
Increase (decrease) in	
Accounts payable	4,835
Accrued salaries and benefits	<u>(2,726)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 806,491</u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
*December 31, 2011*

	<u>Land Improvement Tax Escrow Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 811,222
State investment pool	<u>15,338</u>
<b>TOTAL ASSETS</b>	<u>\$ 826,560</u>
<b>LIABILITIES</b>	
Other current liabilities	<u>\$ 826,560</u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Upper Merion Township (the "Township") is governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township and its component units. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

**Discretely Presented Component Units**

The following are considered component units of the Township and are reported discretely in the Township's Comprehensive Annual Financial Report:

***Upper Merion Municipal Utility Authority (the "Municipal Utility Authority")*** - A separate legal entity created to plan, finance and construct the sewer plant and system for public use in the Township.

***Upper Merion Transportation Authority (the "Transportation Authority")*** - A separate legal entity created to acquire, plan, construct and maintain highways, parkways, traffic distribution centers, parking lots and garages for the Township.

***Upper Merion General Authority (the "General Authority")*** - A separate legal entity created to plan, finance and construct, renovate and maintain public use facilities in the Township.

The above component units issue separately audited annual financial reports. Copies of these component unit reports may be obtained from the Township Finance Director.

The criteria for including organizations as component units within the Township's reporting entity set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* are:

1. The organizations are legally separate (can sue and be sued in their own name).
2. The Township appoints a voting majority of the organizations' boards.
3. The Township is able to impose its will on the organizations.
4. The organizations have the potential to impose a financial benefit/burden on the Township.
5. There is a fiscal dependency by the organizations on the Township.
6. The organizations could not be included as a part of another reporting entity.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

7. The organizations' governing bodies are not substantively the same as the primary government.
8. The organizations do not provide services entirely to the primary government.

The Municipal Utility Authority, Transportation Authority and General Authority meet all of the above criteria and therefore are presented as discretely presented component units. The Municipal Utility Authority and General Authority have the potential to impose a financial benefit/burden on the Township because of their role in financing and constructing Township facilities. The Transportation Authority has the potential to impose a financial benefit/burden on the Township because of its role in maintaining and operating all roadways and related facilities. The General Authority and Municipal Utility Authority are fiscally dependent on the Township as they rely on Township funds for debt service payments. The Township is able to impose its will on each Authority by appointing a voting majority of each board.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component units, except for the Fiduciary Fund. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township. Expenses reported for functional activities include allocated indirect expenses.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** - Fund financial statements report detailed information about the Township. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor Funds are aggregated and presented in a single column (Other Governmental Funds).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for 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 Township considers revenues to be available if they are collected within 60 days of the end of the 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 compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major Governmental Funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety, public services and recreation. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units. The General Fund includes the library operations.

The *Fire Apparatus Fund* (a Special Revenue Fund) is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This fund accounts principally for capital improvement activity.

The *Capital Acquisition Fund* (a Capital Project Fund) is used to account for major outlays for capital assets and improvements.

The *General Obligation Fund* (a Capital Project Fund) is used to account for new bond issue proceeds.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

The Township reports the following major Proprietary Fund:

The *Sewer Revenue Fund* accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the Township reports the following fund types:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These funds account principally for the parks and recreation capital improvement activity and disposition of state liquid fuels highway aid funding. Included in these funds are the State Highway Aid Fund and the UMT Foundation Fund.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Included in these funds are the Municipal Building Fund, the Debt Service Fund, the Capital Tax Fund and the Park Capital Fund.

The *Capital Project Fund* includes the Open Space Fund.

The *Fiduciary Fund* accounts for assets held by the Township in a trustee capacity or as an agent on behalf of others. The Agency Fund, which includes the Land Improvement Tax Escrow Fund, is custodial in nature and does not present results of operations or have a measurement focus. The fund is accounted for using the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The Township 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 between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The *Proprietary Fund* distinguishes operating revenues and expenses from nonoperating 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. The principal operating revenues of the Sewer Revenue Fund are charges to customers for sales and services. Operating expenses of the Sewer Revenue Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Deposits and Investments**

The Township'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.

State statutes authorize the Township and its component units to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

During 1998, the Township adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires the Township and its component units to record investments at fair value. The government and external investment pools operate in accordance with appropriate state laws and regulations.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of five 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 asset lives are not capitalized.

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

	<u>Years</u>
Buildings	50
Building improvements	20
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5
Library books	5

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

The Township has elected to use the modified approach to account for maintenance of its street system. Generally accepted accounting principles allow a government to forego reporting depreciation in connection with networks or subsystems of infrastructure assets, provided that the Township has made a commitment to maintain those particular networks or subsystems at a predetermined condition level of its choosing and has established an asset management system that is adequate for that purpose.

**Compensated Absences**

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A uniformed command officer is permitted to convert 25% of his annual unused compensatory time into payroll. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest 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.

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.

**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.

**Real Estate Tax Calendar and Reserve**

The original tax duplicate is received by the Township and given to the tax collector for mailing by February 15. The discount period extends through April 15, followed by the flat period through June 15 and ends with the penalty period after June 15. The penalty is 10%. Any unpaid taxes at the end of the year are required to be lienied by January 16 with the county.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Deferred Charges**

Deferred charges consist of bond issue costs, which are amortized over the life of the bonds.

	<u>Deferred Charges</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Primary government	\$ 221,562	\$ 26,403	\$ 195,159
Municipal Utility Authority	149,707	42,774	106,933
General Authority	53,066	15,162	37,904

**Receivables and Payables**

External transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables, including those for sewer, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

**Fund Balance**

As of December 31, 2010, the Township has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the highest level of decision-making authority and do not lapse at year-end.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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- **Assigned** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- **Unassigned** - Amounts not contained in other classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 22). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**NOTE B CASH AND INVESTMENTS**

**Deposits - Primary Government**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. As of December 31, 2011, \$14,369,622 of the Township's bank balance of \$14,619,622 was exposed to custodial credit risk as follows:

Uninsured and collateralized by securities held by pledging financial institution	\$ <u>14,369,622</u>
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**Deposits - Component Units**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the Authorities' deposits may not be returned to them. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. As of December 31, 2011, \$4,537,651 of the component unit bank balances of \$4,863,986 were exposed to custodial credit risk.

Uninsured and collateralized by securities held by pledging financial institution	\$ <u>4,537,651</u>
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**Investments - Primary Government and Component Units**

The primary government and component units' investments consist of deposits with financial institutions and U.S. Government and agency securities.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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As of December 31, 2011, the primary government had the following investments in an internal investment pool:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ 19,474,647	\$ 19,474,647
Certificates of deposit	<u>2,930,000</u>	<u>2,930,000</u>
	22,404,647	\$ <u>22,404,647</u>
Outstanding checks drawn on state investment pools	<u>(903)</u>	
	<u>\$ 22,403,744</u>	

As of December 31, 2011, the component units had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than One Year</u>	<u>1 to 5 Years</u>
State investment pools	\$ 6,831,603	\$ 6,585,603	\$ 246,000
Certificates of deposit	<u>2,784,573</u>	<u>2,784,573</u>	<u>-</u>
	9,616,176	\$ <u>9,370,176</u>	\$ <u>246,000</u>
Outstanding checks drawn on state investment pools	<u>(126,108)</u>		
	<u>\$ 9,490,068</u>		

**Interest Rate Risk** - The primary government and component units' investment policy limits investment maturities to remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as a means of managing its exposure to fair value losses arising from increasing interest rates. Except where specifically indicated above, or with the approval of the Investment Committee, maturities of investment instruments will be limited to a period of two to five years. For the General Fund and other operating funds, maturities will not exceed one year.

**Statutory Restrictions** - Investments of the primary government's funds covered by this policy will be made in a manner consistent with the restrictions imposed by the Second Class Township Code and Local Government Unit Debt Act.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Investments** - Investments of the primary government and component units' funds covered by this policy are limited to the following investment instruments:

1. U.S. Treasury bills.
2. Treasury bonds or notes with maturities of less than two years.
3. Fully insured or collateralized CDs at commercial banks and savings and loans that have been approved as Township depositories by the Investment Committee with maturities of less than one year.
4. Investment pools offered by the Commonwealth of Pennsylvania or other entities, which have been approved by the Commonwealth of Pennsylvania for investment by Second Class Townships.
5. Investment instruments offered by the Pennsylvania Local Government Investment Trust (PLGIT).
6. Repurchase agreements with a term of less than five days fully collateralized (minimum 102% of principal at market value) by U.S. Treasury securities.
7. Certain short-term obligations of U.S. Government agencies as approved by the Investment Committee.

**Safekeeping and Custody** - To protect against potential fraud and embezzlement, whenever practical, the investment assets of the primary government will be secured through third-party custody and safekeeping procedures. Bearer instruments will be held only through third-party institutions.

**Credit Risk** - Only debt issues that meet or exceed a credit rating of A from Standard & Poor's and/or an A rating from Moody's may be purchased. As of December 31, 2011, the primary government's investment in the state investment pool was rated AAAM by Standard & Poor's.

Although not registered with the Securities and Exchange Commission and not subject to formal regulatory oversight, the state investment pool is subject to an independent annual audit. The fair value in the external investment pool is equivalent to the value of the pool shares.

**Concentration of Credit Risk** - Investment in any one type of investment instrument or with any one financial institution is limited to the amount and/or percentages specified by the Investment Committee. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE C RECEIVABLES**

Receivables are comprised of the following:

	Primary Government							Transportation Authority
	Governmental Funds					Proprietary Fund	Totals	
	General Fund	Fire Apparatus Fund	Capital Acquisition Fund	Other Governmental Funds	Total Governmental Funds	Sewer Revenue Fund		
Real estate taxes	\$ 218,696	\$ 6,039	\$ -	\$ 18,939	\$ 243,674	\$ -	\$ 243,674	\$ -
Other taxes and fees	155,647	-	-	-	155,647	-	155,647	-
Grants	-	-	233,032	-	233,032	-	233,032	439,884
Sewer receivable	-	-	-	-	-	1,783,103	1,783,103	-
Loan receivable	-	94,513	-	-	94,513	-	94,513	6,400
Cable television	144,185	-	-	-	144,185	-	144,185	-
Interest	3,356	2,213	-	-	5,569	3,514	9,083	6,319
	<u>\$ 521,884</u>	<u>\$ 102,765</u>	<u>\$ 233,032</u>	<u>\$ 18,939</u>	<u>\$ 876,620</u>	<u>\$ 1,786,617</u>	<u>\$ 2,663,237</u>	<u>\$ 452,603</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Note Receivable**

On December 15, 2009, the Township authorized the purchase of General Obligation Bonds, Series A of 2009, for the purpose of providing funds to currently refund the Guaranteed Lease Revenue Bonds, Series of 2003, and Guaranteed Sewer Revenue Bonds, Series of 2003, and pay the costs of issuing and insuring the bonds on behalf of the General and Municipal Utility Authorities. The Authorities are required to make payments to the Township equal to the debt service of the Series A of 2009 Bonds. The annual payments due to the Township from each respective Authority are as follows:

<u>Year Ending December 31,</u>	<u>Municipal Utility Authority</u>		<u>General Authority</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,610,000	\$ 229,797	\$ 570,000	\$ 81,155
2013	1,670,000	165,397	590,000	58,355
2014	1,705,000	131,997	600,000	46,555
2015	1,745,000	93,635	615,000	33,055
2016	1,795,000	41,285	635,000	14,605
	<u>\$ 8,525,000</u>	<u>\$ 662,111</u>	<u>\$ 3,010,000</u>	<u>\$ 233,725</u>

**NOTE D INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2011, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Revenue Fund	\$ <u>218,330</u>

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Transportation Authority	\$ 15,447
Sewer Revenue Fund	Municipal Utility Authority	<u>86,129</u>
		<u>\$ 101,576</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

**Interfund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Capital Acquisition Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 730,610	\$ 796,240	\$ 1,526,850
Fire Apparatus Fund	-	100,870	74,904	175,774
Capital Acquisition Fund	-	-	164,395	164,395
General Obligation Fund	-	34,122	-	34,122
Other Governmental Funds	-	483,363	-	483,363
Sewer Revenue Fund	167,714	332,856	-	500,570
	<u>\$ 167,714</u>	<u>\$ 1,681,821</u>	<u>\$ 1,035,539</u>	<u>\$ 2,885,074</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts and (3) move unrestricted General Fund revenues to finance various programs that the Township must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**NOTE E CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the Township has reported all capital assets, including infrastructure, in the government-wide statement of net assets. The Township elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "modified approach" is presented in the required supplementary information section of this report. All other capital assets, including other infrastructure systems, were reported using the basic approach, whereby accumulated depreciation and depreciation expense have been recorded.

UPPER MERION TOWNSHIP  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 December 31, 2011

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2011, was as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 19,677,920	\$ -	\$ -	\$ 19,677,920
Infrastructure	12,770,076	-	-	12,770,076
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>32,447,996</u>	<u>-</u>	<u>-</u>	<u>32,447,996</u>
Capital assets being depreciated				
Library books	3,431,081	323,771	-	3,754,852
Land improvements	12,425,433	-	-	12,425,433
Buildings and improvements	5,017,567	327,503	-	5,345,070
Furniture and equipment	3,379,740	623,425	-	4,003,165
Automobiles and trucks	9,606,899	264,495	(153,255)	9,718,139
Infrastructure	14,446,963	825,603	-	15,272,566
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>48,307,683</u>	<u>2,364,797</u>	<u>(153,255)</u>	<u>50,519,225</u>
Accumulated depreciation				
Library books	(3,293,611)	(60,262)	-	(3,353,873)
Land improvements	(4,709,602)	(709,540)	-	(5,419,142)
Buildings and improvements	(2,441,618)	(225,438)	-	(2,667,056)
Furniture and equipment	(2,653,254)	(266,433)	-	(2,919,687)
Automobiles and trucks	(6,261,839)	(748,853)	153,255	(6,857,437)
Infrastructure	(3,785,596)	(422,365)	-	(4,207,961)
TOTAL ACCUMULATED DEPRECIATION	<u>(23,145,520)</u>	<u>(2,432,891)</u>	<u>153,255</u>	<u>(25,425,156)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>25,162,163</u>	<u>(68,094)</u>	<u>-</u>	<u>25,094,069</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 57,610,159</u>	<u>\$ (68,094)</u>	<u>\$ -</u>	<u>\$ 57,542,065</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Land improvements	\$ 8,145	\$ -	\$ -	\$ 8,145
Buildings and improvements	2,652,303	-	-	2,652,303
Furniture and equipment	1,254,194	341,302	-	1,595,496
Automobiles and trucks	481,465	-	-	481,465
Infrastructure	1,751,480	350,575	-	2,102,055
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>6,147,587</u>	<u>691,877</u>	<u>-</u>	<u>6,839,464</u>
Accumulated depreciation				
Land improvements	(6,245)	(1,629)	-	(7,874)
Buildings and improvements	(1,680,182)	(182,590)	-	(1,862,772)
Furniture and equipment	(504,660)	(162,816)	-	(667,476)
Automobiles and trucks	(476,567)	(4,898)	-	(481,465)
Infrastructure	(527,287)	(125,751)	-	(653,038)
TOTAL ACCUMULATED DEPRECIATION	<u>(3,194,941)</u>	<u>(477,684)</u>	<u>-</u>	<u>(3,672,625)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 2,952,646</u>	<u>\$ 214,193</u>	<u>\$ -</u>	<u>\$ 3,166,839</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Discretely Presented Component Units**

Capital asset activity for the Municipal Utility Authority for the year ended December 31, 2011, was as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and improvements	\$ 51,662,033	\$ 1,072,147	\$ -	\$ 52,734,180
Accumulated depreciation	<u>(31,295,443)</u>	<u>(1,082,428)</u>	<u>-</u>	<u>(32,377,871)</u>
<b>CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b><u>\$ 20,366,590</u></b>	<b><u>\$ (10,281)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,356,309</u></b>

Capital asset activity for the General Authority for the year ended December 31, 2011, was as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and improvements	\$ 8,072,168	\$ -	\$ -	\$ 8,072,168
Accumulated depreciation	<u>(4,303,544)</u>	<u>(207,342)</u>	<u>-</u>	<u>(4,510,886)</u>
<b>CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b><u>\$ 3,768,624</u></b>	<b><u>\$ (207,342)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,561,282</u></b>

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

<b>GOVERNMENTAL ACTIVITIES</b>	
Operating	\$ 89,214
General government	432,507
Police, health and public safety	927,361
Roads	977,438
Planning and code enforcement	<u>6,371</u>
	<b><u>\$ 2,432,891</u></b>
<b>BUSINESS-TYPE ACTIVITIES</b>	
Sewer	<b><u>\$ 477,684</u></b>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE F      BONDED DEBT AND NOTES PAYABLE**

Bonded debt and note payable of the primary government at December 31, 2011, are comprised of the following:

General Obligation Bonds, Series of 2009, \$6,590,000 due in annual principal installments ranging from \$160,000 to \$965,000 through December 1, 2023, interest rate is variable from 2.50% to 4.125%	\$ 6,390,000
General Obligation Bonds, Series A of 2009, \$15,800,000 due in annual principal installments ranging from \$2,090,000 to \$2,430,000 through September 1, 2016, interest rate is variable from 2.00% to 4.00%	11,535,000
General Obligation Bonds, Series of 2010, \$4,155,000 due in annual principal installments ranging from \$450,000 to \$770,000 through November 1, 2016, interest rate is variable from 1.25% to 4.00%	3,705,000
General Obligation Bonds, Series of 2011, \$4,610,000 due in annual principal installments ranging from \$5,000 to \$315,000 through December 1, 2031, interest rate is variable from 1.00% to 3.65%	4,610,000
Note payable, \$810,000 due in annual principal installments ranging from \$75,326 to \$87,087 through November 7, 2021, interest rate is fixed at 1.625%	<u>810,800</u>
	<u>\$ 27,050,800</u>

The annual requirements to amortize all debt outstanding of the primary government as of December 31, 2011, including interest payments, are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,135,326	\$ 773,223
2013	3,406,550	674,273
2014	3,487,794	606,579
2015	3,574,059	520,302
2016	3,685,343	407,222
2017 to 2021	5,861,728	1,272,491
2022 to 2026	2,425,000	438,685
2027 to 2031	<u>1,475,000</u>	<u>163,050</u>
	<u>\$ 27,050,800</u>	<u>\$ 4,855,825</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

Notes payable of the discretely presented component units at December 31, 2011, are comprised of the following:

**Municipal Utility Authority**

Note payable, \$11,675,000 due in annual principal installments ranging from \$1,605,000 to \$1,795,000 through September 1, 2016, interest rate is variable from 2.00% to 4.00% \$ 8,525,000

**General Authority**

Note payable, \$4,125,000 due in annual principal installments ranging from \$570,000 to \$635,000 through September 1, 2016, interest rate is variable from 2.00% to 4.00% \$ 3,010,000

The annual requirements to amortize all debt outstanding of the discretely presented component units as of December 31, 2011, including interest payments, are as follows:

<u>Year Ending December 31,</u>	<u>Municipal Utility Authority</u>		<u>General Authority</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,610,000	\$ 229,797	\$ 570,000	\$ 81,155
2013	1,670,000	165,397	590,000	58,355
2014	1,705,000	131,997	600,000	46,555
2015	1,745,000	93,635	615,000	33,055
2016	<u>1,795,000</u>	<u>41,285</u>	<u>635,000</u>	<u>14,605</u>
	\$ <u>8,525,000</u>	\$ <u>662,111</u>	\$ <u>3,010,000</u>	\$ <u>233,725</u>

**NOTE G SETTLEMENT PAYABLE**

During 2004, the Township agreed to settle two outstanding lawsuits. The following is a summary of the annual payments required based on the agreement reached:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 60,000	\$ 7,200
2013	<u>60,000</u>	<u>3,600</u>
	\$ <u>120,000</u>	\$ <u>10,800</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE H CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2011, the following changes in long-term liabilities occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
General Obligation Bonds					
Series of 2006	\$ 4,590,000	\$ -	\$ (4,590,000)	\$ -	\$ -
Series of 2009	6,590,000	-	(200,000)	6,390,000	165,000
Series A of 2009	13,625,000	-	(2,090,000)	11,535,000	2,180,000
Series of 2010	4,155,000	-	(450,000)	3,705,000	710,000
Series of 2011	-	4,610,000	-	4,610,000	5,000
Note payable	-	810,800	-	810,800	75,326
Deferred amounts					
Issuance discount	(38,767)	(1,560)	2,872	(37,455)	-
Issuance premium	204,149	-	(34,997)	169,152	-
Deferred amount on refunding	(131,164)	(168,901)	13,624	(286,441)	-
TOTAL BONDS AND NOTE	<u>28,994,218</u>	<u>5,250,339</u>	<u>(7,348,501)</u>	<u>26,896,056</u>	<u>3,135,326</u>
Settlement payable	180,000	-	(60,000)	120,000	60,000
TOTAL LONG-TERM LIABILITIES	<u>\$ 29,174,218</u>	<u>\$ 5,250,339</u>	<u>\$ (7,408,501)</u>	<u>\$ 27,016,056</u>	<u>\$ 3,195,326</u>

On December 22, 2011, the Township authorized the purchase of General Obligation Bonds, Series of 2011, for the purpose of advance refunding, on or around June 1, 2012, the outstanding principal of and accrued interest on the Township's General Obligation Bonds, Series of 2006. The new issue will decrease debt service payments by \$247,105 with an economic gain of \$234,789.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
DISCRETELY PRESENTED COMPONENT UNITS					
Municipal Utility Authority					
Note payable	\$ 10,070,000	\$ -	\$ (1,545,000)	\$ 8,525,000	\$ 1,610,000
Deferred amounts					
Issuance premium	317,003	-	(52,834)	264,169	-
Deferred amount on refunding	<u>(560,742)</u>	<u>-</u>	<u>93,457</u>	<u>(467,285)</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 9,826,261</u>	<u>\$ -</u>	<u>\$ (1,504,377)</u>	<u>\$ 8,321,884</u>	<u>\$ 1,610,000</u>
General Authority					
Note payable	\$ 3,555,000	\$ -	\$ (545,000)	\$ 3,010,000	\$ 570,000
Deferred amounts					
Issuance premium	112,367	-	(18,728)	93,639	-
Deferred amount on refunding	<u>(209,123)</u>	<u>-</u>	<u>34,854</u>	<u>(174,269)</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 3,458,244</u>	<u>\$ -</u>	<u>\$ (528,874)</u>	<u>\$ 2,929,370</u>	<u>\$ 570,000</u>

**NOTE I DEFEASED DEBT**

In the current year, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the Township's financial statements.

As of December 31, 2011, the Township has defeased debt outstanding of \$4,445,000.

UPPER MERION TOWNSHIP  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2011

NOTE J LAND IMPROVEMENT ESCROW

The Township specifies building and land improvement requirements as a condition to the issuance of building permits. These escrows represent funds from independent builders that are returned upon the completion of required improvements to various properties within the Township. The escrow balance is maintained in the cash accounts of the Township.

NOTE K PENSION PLANS

The Township has a contributory, single-employer defined benefit pension and retirement plan covering police employees. Effective January 1, 1991, the non-uniform defined benefit plan was converted to a defined contribution plan.

**Non-Uniform Pension Plan (Defined Contribution)**

The Upper Merion Township Non-Uniform Pension Plan covers all full-time non-uniform employees under age 65 who have completed six months of service and agree to make contributions. The plan provisions are adopted and amended by the governing body of the Township. The Township contributes 6% of monthly compensation to the plan. Participants are required to contribute 3% of their monthly compensation to the plan. Benefits vest after seven years of service. The plan is administered by ICMA Retirement Corp. Contributions to the plan for 2011 were \$473,883 (Township) and \$242,272 (employees). Total annual covered payroll for 2011 was \$7,898,022.

**Police Pension Plan (Defined Benefit)**

**General** - The Upper Merion Township Police Pension Plan is a single-employer, defined benefit pension plan covering the Upper Merion Township full-time police officers. The plan is controlled by the provisions of Ordinance 96-645, dated March 7, 1997, and adopted pursuant to Act 600. The plan is administered by PNC Bank. Plan provisions are adopted and amended by the governing body of the Township.

**Benefit Provisions** - The plan provides vesting, retirement, survivor and disability benefits to plan members and their beneficiaries. Cost of living allowances are provided at the discretion of the municipality. Benefits are 100% vested after 12 years of credited service. Employees who retire at or after age 50 with 25 years of service are entitled to annual retirement benefits in an amount equal to 50% of the average earnings of the three-year period preceding retirement, termination, or disability.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Plan Membership** - Membership of the plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

Active employees	56
Retirees and beneficiaries currently receiving benefits	39
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>
<b>TOTAL MEMBERSHIP</b>	<u><u>97</u></u>

**Funding Policy**

Valuation date .....	January 1, 2011
Actuarial cost method .....	Entry age
Amortization method .....	Level dollar closed
Remaining amortization period .....	10 years
Funding of administrative costs .....	Investment earnings
Post-retirement benefit increases .....	Benefits are adjusted according to the Consumer Price Index (all items Philadelphia average); a maximum amount of 3%; increases must be approved by the Board of Supervisors
Asset valuation method .....	Fair value
<b>Actuarial assumptions</b>	
Investment rate of return .....	8%
Projected salary increases .....	5%
Inflation rate .....	3%
<b>Contribution rates</b>	
Municipal .....	15.87%
Plan members .....	4.00%

**Financial Reporting** - A separate stand-alone financial statement is issued on the Police Pension Plan, which can be obtained from the Township's Finance Department.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Contributions** - Act 205 requires that annual contributions to the plan be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

**Annual Pension Cost** - Current year annual pension costs are shown in the three-year trend information. Annual required contributions were made to the plan, and there is no net pension obligation.

**Trend Information**

<u>Fiscal</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation (NPO)</u>
2009	\$ 435,019	100%	N/A
2010	459,242	100%	N/A
2011	525,450	100%	N/A

**Funded Status and Funding Progress** - As of January 1, 2011, the most recent actuarial valuation date, the plan was 101.5% funded. The actuarial accrued liability for benefits was \$41.3 million and the actuarial value of assets was \$41.9 million, resulting in an unfunded actuarial accrued asset (UAAL) of \$.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.2 million, and the ratio of the UAAL to the covered payroll was 11.6%.

**Reserves** - There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. There are no long-term contracts for contributions.

**Investments that Represent 5% or More of Net Assets Available for Benefits** - There are no investments that represent 5% or more of net assets available for benefits.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

**NOTE L DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE M SEWER ACCESS RIGHTS**

Sewer access rights consist of advance payments made to the Upper Merion Municipal Utility Authority to purchase reserve capacity in the sewage system. Income is recognized as occupancy permits are approved.

**NOTE N COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Township is party to litigation involving various Township matters. Based on the opinion of its legal counsel, the Township officials feel that the outcome of any lawsuits will not have a material effect on the financial condition of the Township.

**Authority Agreement**

The Transportation Authority has entered into an agreement to participate in a Federal Aid Highway Program for various transportation studies. Under the terms of the reimbursement agreement, the Transportation Authority agreed to participate in the studies. The estimated project costs and estimated maximum reimbursement from federal funds are as follows:

	Totals	Share of Costs						
		Federal			State and County		Authority	
<b>TRANSPORTATION STUDY</b>								
I-76 Improvements; Henderson Road and Widening Project 066411-A	\$ 2,642,866	\$ 2,114,293	80%	\$ 528,573	20%	\$ -	0%	
I-76 Improvements; Henderson Road and Widening Project 064024-A	400,000	320,000	80%	80,000	20%	-	0%	
Multi-Use Trail Bridge Project 164046	750,000	750,000	100%	-	0%	-	0%	
Church Road Bridge 064130-A	580,450	464,360	80%	104,481	18%	11,609	2%	
North Gulph Road/PA Section 2NG Project 164228	1,250,000	1,000,000	80%	250,000	20%	-	0%	

The total costs of the projects incurred through December 31, 2011, were \$4,586,565.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment 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 Township expects such amounts, if any, to be immaterial.

**Leases and Management Agreements**

The Township leases certain facilities from the General Authority through 2016 with annual rental payments to the General Authority equal to the debt service on the bonded debt. The future rental payments are as follows:

<u>Year Ending December 31,</u>	
2012	\$ 651,155
2013	648,355
2014	646,555
2015	648,055
2016	<u>649,605</u>
	<u>\$ 3,243,725</u>

During 1986, the Municipal Utility Authority entered into a management agreement with the Township to manage and operate the Matsunk Sewer Treatment Plant and connection lines and to perform other functions on behalf of the Municipal Utility Authority. The Township will provide funding for debt service requirements as follows:

<u>Year Ending December 31,</u>	
2012	\$ 1,839,797
2013	1,835,397
2014	1,836,997
2015	1,838,635
2016	<u>1,836,285</u>
	<u>\$ 9,187,111</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE O      CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Township to a concentration of credit risk consist principally of cash and receivables. Township deposits with financial institutions in excess of insurance coverage are secured in accordance with Act 72 of the Commonwealth of Pennsylvania.

Receivables are generated throughout Montgomery County, and the Township usually requires no collateral.

**NOTE P      RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE Q      POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

The Township provides medical, prescription and dental insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the Township Supervisors and can be amended by the Township through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the Township's General Fund.

**Funding Policy**

The Township negotiates the contribution percentage between the Township and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township.

During 2009, the Township began managing its liability for retiree health care benefits by increasing the contributions paid by retirees and their spouses to a level that is actuarially expected to cover their claims and expenses. This approach eliminated the implicit liability for any age subsidy. The Township will no longer be subsidizing retiree health care costs, which eliminates any financial liability for the retiree health care benefits. With the liability for retiree health care benefits at zero, the net OPEB obligation is also zero.

UPPER MERION TOWNSHIP  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2011

NOTE R FUND BALANCE

Beginning with the year ended December 31, 2010, the Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses and long-term loans receivable.
- ***Restricted Fund Balance*** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types of this category include amounts for debt service and liquid fuels.
- ***Committed Fund Balance*** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the highest level of decision-making authority and do not lapse at year-end. Fund balance of this type is the Revenue Stabilization Fund. Since the Township relies heavily upon revenues from the business/mercantile tax, which is very volatile to economic conditions, the Revenue Stabilization Fund has been set up by the Board of Supervisors to provide for any fluctuations to this revenue source due to adverse economic conditions. The Revenue Stabilization Fund would be used to supplement current budgeted revenues if the projection were to decrease by 15% and there were no other funds available in assigned or unassigned fund balance.
- ***Assigned Fund Balance*** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Township Manager and/or Township Finance Director. Fund balance of this type includes amounts for subsequent year's budget, contractual commitments, equipment replacement, capital projects and property/liability insurance reserve.
- ***Unassigned Fund Balance*** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the Township (based on the Government Finance Officers Association Best Practice) to retain a minimum 15% of the subsequent year operating budget in the unassigned category.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE 5      SUBSEQUENT EVENTS**

In March 2012, the Township issued General Obligation Bonds, Series of 2012, in the amount of \$10,000,000 for the purpose of providing funds for and toward various capital projects. The capital projects include acquiring mechanical equipment to be installed at the two Township-owned sewage treatment plants. In addition, in February 2012, the Township acquired a multistory ice hockey complex and fitness center consisting of approximately 114,614 square feet for approximately \$1,500,000. The Township will use the bond proceeds to renovate and convert the existing ice hockey complex and fitness center into a multiuse recreational facility to accommodate meeting rooms, community rooms, fitness rooms, multipurpose gymnasium space and a new senior service center.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# UPPER MERION TOWNSHIP

## DESCRIPTION OF FUNDS

*Year Ended December 31, 2011*

### GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is used to account for the bulk of the day-to-day operations of the Township, including police services, parks and recreation, codes enforcement, public works and administration. Revenues are derived primarily from taxes levied under the Local Tax Enabling Act (Act 511), property taxes and fees for service. For reporting purposes, the operation of the library is also included in the General Fund.

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended December 31, 2011*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Real estate taxes				
Current	\$ 5,066,815	\$ 5,066,815	\$ 4,983,617	\$ (83,198)
Prior	17,000	17,000	-	(17,000)
Delinquent	60,000	60,000	52,601	(7,399)
Delinquent 511 taxes	571,750	571,750	730,008	158,258
Real estate taxes, interim	22,000	22,000	36,783	14,783
Real estate transfer tax	650,000	650,000	550,384	(99,616)
Amusement tax	46,000	46,000	28,804	(17,196)
Local services tax	1,793,862	1,793,862	1,890,475	96,613
Mercantile tax	3,500,000	3,500,000	3,729,490	229,490
Utilities tax	26,350	26,350	25,514	(836)
Business privilege tax	5,100,000	5,100,000	5,282,951	182,951
Grants	1,309,288	1,309,288	1,588,939	279,651
Fines	334,980	334,980	330,510	(4,470)
Investment income	128,000	128,000	47,427	(80,573)
Permits and fees	2,919,396	2,919,396	3,640,039	720,643
Reimbursements	763,845	763,845	962,986	199,141
Parks and recreation	930,200	930,200	777,639	(152,561)
Miscellaneous	393,800	393,800	403,205	9,405
<b>TOTAL FORWARD</b>	<b>23,633,286</b>	<b>23,633,286</b>	<b>25,061,372</b>	<b>1,428,086</b>
<b>EXPENDITURES</b>				
Operating				
Library	1,768,424	1,768,424	1,721,276	47,148
Insurance	3,364,991	3,364,991	2,955,571	409,420
Payroll taxes	606,559	606,559	639,274	(32,715)
Engineering expenses	38,000	38,000	36,425	1,575
<b>TOTAL OPERATING</b>	<b>5,777,974</b>	<b>5,777,974</b>	<b>5,352,546</b>	<b>425,428</b>
General government				
Salaries	1,367,974	1,367,974	1,336,968	31,006
Office expenses and supplies	191,862	191,862	155,733	36,129
Capital outlay	14,250	14,250	10,505	3,745
Repairs and maintenance	44,584	44,584	41,581	3,003
Travel expenses and seminars	31,917	31,917	27,352	4,565
Professional fees	342,760	342,760	355,749	(12,989)
Utilities	16,165	16,165	13,322	2,843
General expenses	555,928	555,928	424,668	131,260
<b>TOTAL GENERAL GOVERNMENT</b>	<b>2,565,440</b>	<b>2,565,440</b>	<b>2,365,878</b>	<b>199,562</b>
<b>SUBTOTAL FORWARD</b>	<b>\$ 8,343,414</b>	<b>\$ 8,343,414</b>	<b>\$ 7,718,424</b>	<b>\$ 624,990</b>

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended December 31, 2011*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>SUBTOTAL FORWARDED</b>	<b>\$ 8,343,414</b>	<b>\$ 8,343,414</b>	<b>\$ 7,718,424</b>	<b>\$ 624,990</b>
Police, health and public safety				
Salaries	7,240,322	7,210,322	7,426,999	(216,677)
Materials and supplies	290,088	290,088	307,090	(17,002)
Repairs and maintenance	617,290	647,290	631,770	15,520
Fire expenses	1,089,285	1,089,285	1,124,731	(35,446)
Capital outlay	27,648	27,648	27,043	605
Utilities	100,631	100,631	102,553	(1,922)
Miscellaneous expenses	69,496	69,496	50,765	18,731
<b>TOTAL POLICE, HEALTH         AND PUBLIC SAFETY</b>	<b>9,434,760</b>	<b>9,434,760</b>	<b>9,670,951</b>	<b>(236,191)</b>
Roads and parks				
Roads				
Salaries	144,174	144,174	196,814	(52,640)
Materials and supplies	86,919	94,419	87,427	6,992
Repairs and maintenance	1,104,310	1,127,140	1,101,186	25,954
General expenses	134,693	103,863	83,337	20,526
Street lighting	93,071	93,571	89,823	3,748
Snow removal	229,540	229,540	250,055	(20,515)
New tools and machinery	21,363	21,363	15,536	5,827
<b>TOTAL ROADS</b>	<b>1,814,070</b>	<b>1,814,070</b>	<b>1,824,178</b>	<b>(10,108)</b>
Parks				
Salaries	570,451	570,451	590,053	(19,602)
Materials and supplies	122,765	122,765	135,580	(12,815)
Repairs and maintenance	43,826	46,326	44,964	1,362
General administrative	165,760	163,260	154,309	8,951
Recreation expenses	1,503,063	1,503,063	1,286,975	216,088
Capital outlay	24,434	24,434	27,939	(3,505)
<b>TOTAL PARKS</b>	<b>2,430,299</b>	<b>2,430,299</b>	<b>2,239,820</b>	<b>190,479</b>
<b>TOTAL ROADS AND PARKS</b>	<b>4,244,369</b>	<b>4,244,369</b>	<b>4,063,998</b>	<b>180,371</b>
Police and employee pension cost				
Employee pension cost	317,640	317,640	319,417	(1,777)
Foreign Casualty Insurance Tax Grant				
Police pension cost	653,168	653,168	647,014	6,154
Employee pension cost	72,525	72,525	67,286	5,239
<b>TOTAL POLICE AND             EMPLOYEE PENSION COST</b>	<b>1,043,333</b>	<b>1,043,333</b>	<b>1,033,717</b>	<b>9,616</b>
Planning and code enforcement				
Salaries	1,013,073	1,013,073	1,007,518	5,555
Materials and supplies	29,500	29,500	24,052	5,448
Repairs and maintenance	129,208	134,208	118,965	15,243
General administrative	81,893	76,893	56,963	19,930
<b>TOTAL PLANNING AND         CODE ENFORCEMENT</b>	<b>1,253,674</b>	<b>1,253,674</b>	<b>1,207,498</b>	<b>46,176</b>
Refund of prior year revenues	-	-	209,296	(209,296)
<b>TOTAL FORWARD</b>	<b>\$ 24,319,550</b>	<b>\$ 24,319,550</b>	<b>\$ 23,903,884</b>	<b>\$ 415,666</b>

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended December 31, 2011*

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
TOTAL FORWARDED	\$ 23,633,286	\$ 23,633,286	\$ 25,061,372	\$ 1,428,086
EXPENDITURES				
TOTAL FORWARDED	<u>24,319,550</u>	<u>24,319,550</u>	<u>23,903,884</u>	<u>415,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(686,264)</u>	<u>(686,264)</u>	<u>1,157,488</u>	<u>1,843,752</u>
OTHER FINANCING SOURCES (USES)				
Note issuance	-	-	810,800	810,800
Proceeds from sale of capital assets	-	-	162,288	162,288
Interfund transfers in	100,000	100,000	167,714	67,714
Interfund transfers out	<u>(812,868)</u>	<u>(812,868)</u>	<u>(1,526,850)</u>	<u>(713,982)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(712,868)</u>	<u>(712,868)</u>	<u>(386,048)</u>	<u>326,820</u>
NET CHANGE IN FUND BALANCE	(1,399,132)	(1,399,132)	771,440	2,170,572
FUND BALANCE AT BEGINNING OF YEAR	<u>14,548,347</u>	<u>14,548,347</u>	<u>14,548,347</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 13,149,215</u>	<u>\$ 13,149,215</u>	<u>\$ 15,319,787</u>	<u>\$ 2,170,572</u>

*See accompanying notes to the budgetary comparison schedule.*

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
*Year Ended December 31, 2011*

**NOTE A BUDGET POLICY**

The Board of Supervisors annually adopts the budget for the General Fund of the Township. The legal level of budgetary control is by object. Transfers less than \$3,000 between objects within a department can be made with the approval of the Township Manager. Transfers of amounts greater than \$3,000 and transfers between departments must be approved by the Board of Supervisors. Management may not amend the budget without approval of the governing body. Revisions to the budget were made throughout the year. The Board of Supervisors may increase the amount of any object in the budget through supplemental appropriation contingent on available revenues. Uncommitted appropriations lapse at year-end. Supplementary budgetary appropriations were not considered material. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2011, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

OPERATING			
Payroll taxes		\$	32,715
GENERAL GOVERNMENT			
Professional fees		\$	12,989
POLICE, HEALTH AND PUBLIC SAFETY			
Salaries		\$	216,677
Materials and supplies			17,002
Fire expenses			35,446
Utilities			1,922
ROADS AND PARKS			
Roads			
Salaries		\$	52,640
Snow removal			20,515
Parks			
Salaries			19,602
Materials and supplies			12,815
Capital outlay			3,505
POLICE AND EMPLOYEE PENSION COST			
Employee pension cost		\$	1,777

These excess expenditures were funded by reimbursable revenue and available fund balance in the General Fund.

**UPPER MERION TOWNSHIP**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
*Year Ended December 31, 2011*

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and uses the Local Transportation Assistance Program (LTAP) criteria to assess the condition of the system. The streets are rated on their life expectancy before milling and overlay work is needed. The rating is the probable number of years remaining before resurfacing work is needed. The Township's streets as a whole are given an overall rating, indicating the average condition of all streets operated by the Township. The assessment of condition is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Township's policy is to maintain the street condition at a level of 6.75 or better. The results of the inspection were:

<u>Evaluation Period</u>	<u>Rating</u>
2007	6.78
2008	6.86
2009	6.82
2010	6.87
2011	5.91

The budgeted expenditures and amounts actually expensed for maintenance and preservation for the past years are as follows:

	<u>Budget</u>	<u>Actual</u>
2007	\$ 796,228	\$ 630,733
2008	811,208	852,191
2009	592,300	382,911
2010	571,840	-
2011	540,160	2,625

The Township has fallen below its street condition policy as of December 31, 2011. Due to tough economic times and reduced available revenues, street resurfacing projects were eliminated from the 2011 budget. For 2012, the Township has budgeted approximately \$1,500,000 for street resurfacing in order to bring the Township's maintenance level back up to the required condition level.

**UPPER MERION TOWNSHIP**  
**PENSION PLAN FUNDING PROGRESS**  
*Year Ended December 31, 2011*

**DEFINED BENEFIT RETIREMENT PLAN**

**Schedule of Funding Progress**

Historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed is as follows:

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(c) Excess (Deficiency) of Assets Over AAL (a)-(b)	(d) Funded Ratio (a)/(b)	(e) Annual Covered Payroll	(f) Excess (Deficiency) of Assets Over AAL as a Percentage of Annual Covered Payroll (c)/(e)
2007	\$ 34,807,460	\$ 31,856,409	\$ 2,951,051	109.3%	\$ 4,692,398	62.9%
2009	37,455,129	35,792,022	1,663,107	104.6%	5,163,019	32.2%
2011	41,942,975	41,337,668	605,307	101.5%	5,214,132	11.6%

Determination of contribution requirements:

Employer .....Actuarially determined 15.87% of covered payroll  
 Plan members.....4.00%

## **SUPPLEMENTARY INFORMATION SECTION**

**UPPER MERION TOWNSHIP**  
**DESCRIPTION OF FUNDS**  
*Year Ended December 31, 2011*

**LIBRARY FUND**

For financial statement reporting, operations of the library are combined with the General Fund. A dedicated real estate tax millage of .508 mills accounts for 80% of library operations revenue.

**UPPER MERION TOWNSHIP**  
**BALANCE SHEET**  
**LIBRARY OPERATIONS**  
 (Combined with the General Fund)  
 December 31, 2011

**ASSETS**

Cash	\$ 74,482
Investments	310,684
Taxes receivable, net	32,053
Prepaid items	<u>2,857</u>

TOTAL ASSETS	\$ <u><u>420,076</u></u>
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**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Due to other funds	\$ 30,116
Accounts payable	30,840
Accrued salaries and benefits	25,466
Deferred revenue	<u>26,163</u>
TOTAL LIABILITIES	112,585

**FUND BALANCE**

Unreserved	<u>307,491</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>420,076</u></u>
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**UPPER MERION TOWNSHIP**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**LIBRARY OPERATIONS**  
(Combined with the General Fund)  
Year Ended December 31, 2011

**REVENUES**

Taxes	\$ 1,711,218
Grants	83,655
Fines and fees	21,890
Investment income	<u>1,118</u>

TOTAL REVENUES	<u>1,817,881</u>
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**EXPENDITURES**

Direct

Salaries and wages	945,006
Books, periodicals and audio visual	206,247
Maintenance	264,128
Utilities	39,523
Telephone	1,846
Travel	873
Supplies	36,282
Advertising	6,870
Equipment rental	3,681
Refund of prior year revenues	61,112
Other	<u>10,015</u>

TOTAL DIRECT	1,575,583
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Indirect

Payroll taxes and benefits	<u>243,077</u>
TOTAL EXPENDITURES	<u>1,818,660</u>

NET CHANGE IN FUND BALANCE	(779)
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FUND BALANCE AT BEGINNING OF YEAR	<u>308,270</u>
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FUND BALANCE AT END OF YEAR	<u><u>\$ 307,491</u></u>
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**UPPER MERION TOWNSHIP**  
**DESCRIPTION OF FUNDS**  
**OTHER GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2011*

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenues that are legally restricted to expenditures for specified purposes.

**State Highway Aid Fund**

This fund is used to account for the Township's share of the Commonwealth of Pennsylvania's Liquid Fuels Tax Grant. All revenues from this source are used for the maintenance and reconstruction of Township roads in accordance with Pennsylvania Department of Transportation regulations.

**UMT Foundation Fund**

This fund is used to account for revenues restricted for the purpose of maintaining and constructing capital facilities.

**DEBT SERVICE FUNDS**

Debt Service Funds are used for the accumulation of resources for and payment of general obligation bond principal and interest from governmental resources.

**Municipal Building Fund**

Revenues of this fund are generated from a .205 mill tax on Township real estate. These revenues are used to make annual lease payments to the General Authority for the Township building. These payments are used to retire the General Authority guaranteed lease revenues debt issued for the Township building expansion in 1993.

**Debt Service Fund**

This fund is used to accumulate funds to pay principal and interest on general obligation debt.

**Capital Tax Fund**

The revenues of this fund were generated from a mill tax on Township real estate in prior years. These revenues are used to fund capital projects.

**Park Capital Fund**

The revenues of this fund were generated from a mill tax on Township real estate in prior years. These revenues are used to fund capital projects.

**CAPITAL PROJECT FUND**

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major fixed assets of a relatively permanent nature.

**Open Space Fund**

The Open Space Fund accounts for financial resources used in the acquisition and preservation of open space. Revenues of this fund are generated from a .095 mill tax on Township real estate.

**UPPER MERION TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
*December 31, 2011*

	Special Revenue Funds		Debt Service Funds				Capital Project Fund	Total Other Governmental Funds
	State Highway Aid Fund	UMT Foundation Fund	Municipal Building Fund	Debt Service Fund	Capital Tax Fund	Park Capital Fund	Open Space Fund	
<b>ASSETS</b>								
Investments	\$ 1,172,057	\$ 19,773	\$ 853,034	\$ -	\$ 559,388	\$ 143,695	\$ 123,112	\$ 2,871,059
Taxes receivable, net	-	-	12,942	-	-	-	5,997	18,939
<b>TOTAL ASSETS</b>	<u>\$ 1,172,057</u>	<u>\$ 19,773</u>	<u>\$ 865,976</u>	<u>\$ -</u>	<u>\$ 559,388</u>	<u>\$ 143,695</u>	<u>\$ 129,109</u>	<u>\$ 2,889,998</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 9,440	\$ 1,183	\$ -	\$ 473	\$ 237	\$ 473	\$ 11,806
Deferred revenue	-	-	10,565	-	-	-	4,895	15,460
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>9,440</u>	<u>11,748</u>	<u>-</u>	<u>473</u>	<u>237</u>	<u>5,368</u>	<u>27,266</u>
<b>FUND BALANCES</b>								
Restricted for								
Debt service	-	-	854,228	-	558,915	143,458	-	1,556,601
Liquid fuels	1,172,057	-	-	-	-	-	-	1,172,057
Assigned to capital projects	-	10,333	-	-	-	-	123,741	134,074
<b>TOTAL FUND BALANCES</b>	<u>1,172,057</u>	<u>10,333</u>	<u>854,228</u>	<u>-</u>	<u>558,915</u>	<u>143,458</u>	<u>123,741</u>	<u>2,862,732</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,172,057</u>	<u>\$ 19,773</u>	<u>\$ 865,976</u>	<u>\$ -</u>	<u>\$ 559,388</u>	<u>\$ 143,695</u>	<u>\$ 129,109</u>	<u>\$ 2,889,998</u>

**UPPER MERION TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2011*

	Special Revenue Funds		Debt Service Funds				Capital Project Fund	Total Other Governmental Funds
	State Highway Aid Fund	UMT Foundation Fund	Municipal Building Fund	Debt Service Fund	Capital Tax Fund	Park Capital Fund	Open Space Fund	
<b>REVENUES</b>								
Taxes	\$ 528,938	\$ -	\$ 694,338	\$ -	\$ -	\$ -	\$ 320,021	\$ 1,543,297
Investment income	645	-	669	-	667	151	88	2,220
Miscellaneous	-	-	-	103,542	-	35,000	-	138,542
<b>TOTAL REVENUES</b>	<b>529,583</b>	<b>-</b>	<b>695,007</b>	<b>103,542</b>	<b>667</b>	<b>35,151</b>	<b>320,109</b>	<b>1,684,059</b>
<b>EXPENDITURES</b>								
Current								
Operating	-	-	647,986	-	-	-	-	647,986
Roads	7,825	-	-	-	-	-	-	7,825
Refund of prior year revenues	-	-	15,228	-	6,479	12,945	12,486	47,138
Debt service								
Interest	-	-	-	324,686	-	-	178,162	502,848
Principal	-	-	-	650,000	-	-	145,000	795,000
<b>TOTAL EXPENDITURES</b>	<b>7,825</b>	<b>-</b>	<b>663,214</b>	<b>974,686</b>	<b>6,479</b>	<b>12,945</b>	<b>335,648</b>	<b>2,000,797</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>521,758</b>	<b>-</b>	<b>31,793</b>	<b>(871,144)</b>	<b>(5,812)</b>	<b>22,206</b>	<b>(15,539)</b>	<b>(316,738)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	871,144	164,395	-	-	1,035,539
Transfers out	-	-	-	-	(414,196)	(69,167)	-	(483,363)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>871,144</b>	<b>(249,801)</b>	<b>(69,167)</b>	<b>-</b>	<b>552,176</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>521,758</b>	<b>-</b>	<b>31,793</b>	<b>-</b>	<b>(255,613)</b>	<b>(46,961)</b>	<b>(15,539)</b>	<b>235,438</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>650,299</b>	<b>10,333</b>	<b>822,435</b>	<b>-</b>	<b>814,528</b>	<b>190,419</b>	<b>139,280</b>	<b>2,627,294</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 1,172,057</b>	<b>\$ 10,333</b>	<b>\$ 854,228</b>	<b>\$ -</b>	<b>\$ 558,915</b>	<b>\$ 143,458</b>	<b>\$ 123,741</b>	<b>\$ 2,862,732</b>

**UPPER MERION TOWNSHIP**

DESCRIPTION OF FUNDS

AGENCY FUND

*Year Ended December 31, 2011*

**LAND IMPROVEMENT TAX ESCROW FUND**

The Land Improvement Tax Escrow Fund accounts for funds held in escrow for Township developers.

UPPER MERION TOWNSHIP  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended December 31, 2011

	Land Improvement Tax Escrow Fund			Balance December 31, 2011
	Balance January 1, 2011	Additions	Deletions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 632,748	\$ 178,474	\$ -	\$ 811,222
State investment pool	16,083	-	(745)	15,338
<b>TOTAL ASSETS</b>	<u>\$ 648,831</u>	<u>\$ 178,474</u>	<u>\$ (745)</u>	<u>\$ 826,560</u>
<b>LIABILITIES</b>				
Other current liabilities	<u>\$ 648,831</u>	<u>\$ 178,474</u>	<u>\$ (745)</u>	<u>\$ 826,560</u>

## STATISTICAL SECTION

(Unaudited)

This part of the Township of Upper Merion's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Township's overall financial health. This information has not been audited by the independent auditor.

<u>Category</u>	<u>Table #'s</u>
<b>Financial Trends</b> These tables contain trend information that may assist the reader in assessing the Township's current financial performance by placing it in historical perspective.	<b>1 - 6</b>
<b>Revenue Capacity</b> These tables contain information that may assist the reader in assessing the Township's most significant local revenue sources: property tax & the business/mercantile tax.	<b>7 - 12</b>
<b>Debt Capacity</b> These tables present information that may assist the reader in analyzing the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.	<b>13 - 17</b>
<b>Economic and Demographic Information</b> These tables offer economic and demographic indicators that are commonly used for financial analysis and that may assist the reader to understand the environment that the Township's financial activities operate in.	<b>18 - 19</b>
<b>Operating Information</b> These tables contain service and infrastructure data to assist the reader in understanding how the information in the Township's financial statements relates to the services the Township provides and the activities it performs.	<b>20 - 22</b>

**Sources:** Unless otherwise noted, the information in these tables is derived from the annual audited financial statements for the relevant year. The Township implemented GASB Statement No. 34 in fiscal year 2002; tables presenting government-wide information include information beginning in that year.

## UPPER MERION TOWNSHIP

## Net Assets By Category (1)

## Last Ten Fiscal Years

(accrual basis of accounting)

(amounts in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$38,817	\$40,805	\$38,990	\$40,884	\$38,286	37,680	40,302	26,870	28,838	\$30,841
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	<u>20,854</u>	<u>19,227</u>	<u>19,177</u>	<u>18,081</u>	<u>23,910</u>	<u>30,100</u>	<u>27,896</u>	<u>40,723</u>	<u>38,509</u>	<u>38,278</u>
Total governmental activities net assets	<u>\$59,671</u>	<u>\$60,032</u>	<u>\$58,167</u>	<u>\$58,965</u>	<u>\$62,196</u>	<u>\$67,780</u>	<u>\$68,198</u>	<u>\$67,593</u>	<u>\$67,347</u>	<u>\$69,119</u>
Business-Type Activities										
Invested in capital assets, net of related debt	\$1,665	\$1,952	\$2,026	\$2,013	\$2,322	\$2,578	\$3,194	\$2,971	\$2,952	\$3,167
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	<u>10,287</u>	<u>9,450</u>	<u>9,054</u>	<u>9,575</u>	<u>10,275</u>	<u>10,298</u>	<u>9,924</u>	<u>10,153</u>	<u>10,533</u>	<u>10,060</u>
Total business-type activities net assets	<u>\$11,952</u>	<u>\$11,402</u>	<u>\$11,080</u>	<u>\$11,588</u>	<u>\$12,597</u>	<u>\$12,876</u>	<u>\$13,118</u>	<u>\$13,124</u>	<u>\$13,485</u>	<u>\$13,227</u>
Primary Government										
Invested in capital assets, net of related debt	\$40,482	\$42,757	\$41,016	\$42,897	\$40,608	\$40,257	\$43,495	\$29,842	\$31,791	\$34,008
Restricted	0	0	0	0	0	0	0	0	0	\$0
Unrestricted	<u>31,141</u>	<u>28,677</u>	<u>28,231</u>	<u>27,656</u>	<u>34,185</u>	<u>40,399</u>	<u>37,821</u>	<u>50,875</u>	<u>49,041</u>	<u>48,338</u>
Total primary government net assets	<u>\$71,623</u>	<u>\$71,434</u>	<u>\$69,247</u>	<u>\$70,553</u>	<u>\$74,793</u>	<u>\$80,656</u>	<u>\$81,316</u>	<u>\$80,717</u>	<u>\$80,832</u>	<u>\$82,346</u>

## Notes:

- (1) Accounting standards require that net assets are to be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) legislation is enacted by the Township.

TABLE 2

## UPPER MERION TOWNSHIP

**Changes in Net Assets**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (amounts in thousands)

<b>Expenses</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental activities:</b>										
Operating	\$4,667	\$5,285	\$6,220	\$6,118	\$6,648	\$6,912	\$6,206	\$6,139	\$6,022	\$6,247
General government	2,485	2,773	2,479	2,625	2,675	2,585	2,980	2,882	2,728	2,805
Police, health and public safety	7,085	7,505	7,970	8,367	8,790	8,914	9,718	9,452	10,074	10,861
Roads (1)	3,179	2,188	2,422	2,805	2,949	3,278	3,527	3,205	2,901	2,879
Parks	0	1,952	2,230	2,325	2,560	2,451	2,705	2,340	2,164	2,295
Police and employee pension cost	325	338	641	729	773	817	855	909	916	1,034
Planning and code enforcement	807	888	945	1,020	1,085	1,163	1,209	1,155	1,084	1,244
Interest on long-term debt	475	380	515	680	645	719	704	675	555	511
Capital outlay (2)	<u>0</u>	<u>595</u>	<u>0</u>							
Total governmental activities expenses	<u>19,023</u>	<u>21,904</u>	<u>23,422</u>	<u>24,669</u>	<u>26,125</u>	<u>26,839</u>	<u>27,904</u>	<u>26,757</u>	<u>26,444</u>	<u>27,876</u>
<b>Business-type activities:</b>										
Sewer	<u>4,373</u>	<u>4,613</u>	<u>4,966</u>	<u>4,934</u>	<u>5,022</u>	<u>5,106</u>	<u>5,029</u>	<u>5,250</u>	<u>5,204</u>	<u>5,432</u>
Total business-type activities expenses	<u>4,373</u>	<u>4,613</u>	<u>4,966</u>	<u>4,934</u>	<u>5,022</u>	<u>5,106</u>	<u>5,029</u>	<u>5,250</u>	<u>5,204</u>	<u>5,432</u>
<b>Total primary government expenses</b>	<u>\$23,396</u>	<u>\$26,517</u>	<u>\$28,388</u>	<u>\$29,603</u>	<u>\$31,147</u>	<u>\$31,945</u>	<u>\$32,933</u>	<u>\$32,007</u>	<u>\$31,648</u>	<u>\$33,308</u>
 <b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Operating (3)	\$392	\$2,277	\$2,154	\$2,454	\$2,868	\$2,708	\$2,815	\$2,281	\$3,011	\$3,970
Police, health and public safety	484	739	597	557	551	595	526	583	507	589
Parks	788	828	852	890	899	928	969	878	752	798
Operating grants and contributions	1,249	1,190	1,603	1,454	2,230	2,220	2,139	2,053	2,366	4,208
Capital grants and contributions	<u>0</u>	<u>0</u>	<u>110</u>	<u>0</u>						
Total governmental activities program revenues	<u>2,913</u>	<u>5,034</u>	<u>5,316</u>	<u>5,355</u>	<u>6,548</u>	<u>6,451</u>	<u>6,449</u>	<u>5,795</u>	<u>6,636</u>	<u>9,565</u>
<b>Business-type activities:</b>										
Charges for services:										
Sewer	4,168	4,333	4,953	5,391	5,834	5,172	5,445	5,709	5,742	5,658
Operating grants and contributions	615	0	0	0	92	0	0	0	0	0
Capital grants and contributions	<u>0</u>									
Total business-type activities program revenues	<u>4,783</u>	<u>4,333</u>	<u>4,953</u>	<u>5,391</u>	<u>5,926</u>	<u>5,172</u>	<u>5,445</u>	<u>5,709</u>	<u>5,742</u>	<u>5,658</u>
<b>Total primary government program revenues</b>	<u>\$7,696</u>	<u>\$9,367</u>	<u>\$10,269</u>	<u>\$10,746</u>	<u>\$12,474</u>	<u>\$11,623</u>	<u>\$11,894</u>	<u>\$11,504</u>	<u>\$12,378</u>	<u>\$15,223</u>
 <b>Net (expense)/revenue (4)</b>										
Governmental Activities	(\$16,110)	(\$16,870)	(\$18,106)	(\$19,314)	(\$19,577)	(\$20,388)	(\$21,455)	(\$20,962)	(\$19,808)	(\$18,311)
Business-type activities	410	(280)	(13)	457	904	66	416	458	538	226
<b>Total primary government net expense</b>	<u>(\$15,700)</u>	<u>(\$17,150)</u>	<u>(\$18,119)</u>	<u>(\$18,857)</u>	<u>(\$18,673)</u>	<u>(\$20,322)</u>	<u>(\$21,039)</u>	<u>(\$20,504)</u>	<u>(\$19,270)</u>	<u>(\$18,085)</u>

<b>General Revenues and Other Changes in Net Assets</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Governmental activities:</b>										
<b>Taxes (5)</b>										
Property taxes	\$5,800	\$6,041	\$6,003	\$6,940	\$6,027	\$6,224	\$6,225	\$6,241	\$6,301	\$5,941
Amusement, emerg. & mun. svc., opt., mercantile, business privilege, transfer and utilities taxes	8,959	8,641	9,938	11,267	14,200	16,110	13,394	12,168	11,910	12,444
Fines	689	0	0	0	0	0	0	0	0	0
Investment income	464	288	374	788	1,280	1,579	888	340	140	63
Permits and fees	1,503	0	0	0	0	0	0	0	0	0
Contributions	14	84	170	83	90	979	49	61	50	54
Miscellaneous	908	1,803	792	816	818	809	824	964	812	918
Gain on sale of capital assets	114	0	0	0	50	25	65	23	127	162
Loss on disposal of assets	0	0	(311)	0	0	0	0	0	0	0
Transfers	354	374	425	218	342	244	427	560	222	500
Settlement Expense	0	0	(1,150)	0	0	0	0	0	0	0
<b>Total governmental activities</b>	<b>18,805</b>	<b>17,231</b>	<b>16,241</b>	<b>20,112</b>	<b>22,807</b>	<b>25,970</b>	<b>21,872</b>	<b>20,357</b>	<b>19,562</b>	<b>20,082</b>
<b>Business-type activities:</b>										
Investment income	197	104	115	269	446	458	255	105	45	16
Transfers	(354)	(374)	(425)	(218)	(342)	(244)	(426)	(560)	(222)	(500)
<b>Total business-type activities</b>	<b>(157)</b>	<b>(270)</b>	<b>(310)</b>	<b>51</b>	<b>104</b>	<b>214</b>	<b>(171)</b>	<b>(455)</b>	<b>(177)</b>	<b>(484)</b>
<b>Total primary government</b>	<b>\$18,648</b>	<b>\$16,961</b>	<b>\$15,931</b>	<b>\$20,163</b>	<b>\$22,911</b>	<b>\$26,184</b>	<b>\$21,701</b>	<b>\$19,902</b>	<b>\$19,385</b>	<b>\$19,598</b>
<b>Change in Net Assets</b>										
Governmental activities	\$2,695	\$361	(\$1,865)	\$798	\$3,230	\$5,583	\$417	(\$605)	(\$246)	\$1,771
Business-type activities	253	(550)	(323)	508	1,008	280	245	4	361	(258)
<b>Total primary government</b>	<b>\$2,948</b>	<b>(\$189)</b>	<b>(\$2,188)</b>	<b>\$1,306</b>	<b>\$4,238</b>	<b>\$5,863</b>	<b>\$662</b>	<b>(\$601)</b>	<b>\$115</b>	<b>\$1,513</b>

Notes:

- (1) For 2002, Roads category includes expense for Parks of \$1,430.
- (2) For 2003, Capital outlay category includes expense for non-capitalized assets.
- (3) For 2002, two revenue sources (Fines and Permits/Fees both totaling \$2,192) were included under General Revenues and Other Changes in Net Assets.
- (4) Net (expense) revenue is the difference between expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parenthesis indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parenthesis indicate that program revenues were more than sufficient to cover expenses.
- (5) 2006 reflects implementation of Homestead Real Estate Tax program.

## UPPER MERION TOWNSHIP

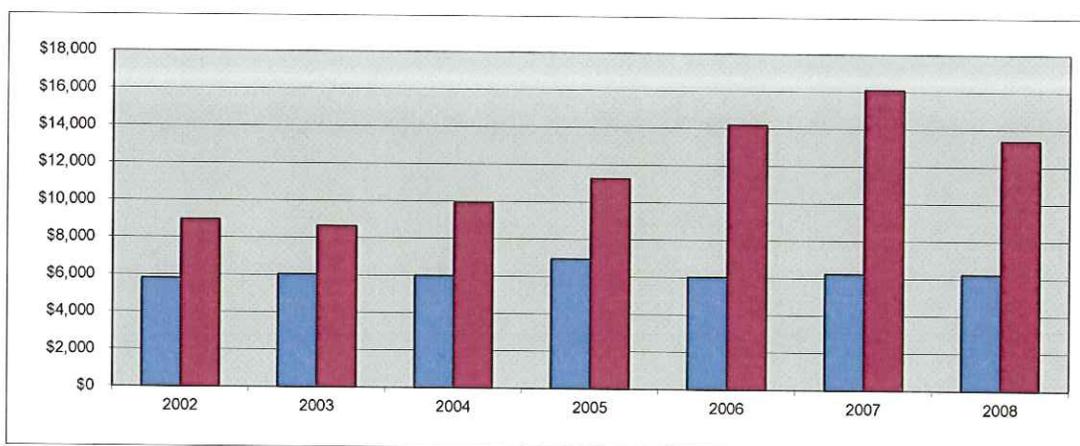
## Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Act 511 Taxes (1)</u>	<u>Total</u>
2002	\$5,800	\$8,958	\$14,758
2003	6,041	8,640	14,681
2004	6,003	9,937	15,940
2005	6,940	11,267	18,207
2006 (2)	6,027	14,200	20,227
2007	6,224	16,110	22,334
2008	6,225	13,394	19,619
2009	6,241	12,167	18,408
2010	6,301	11,910	18,211
2011	5,941	12,443	18,384



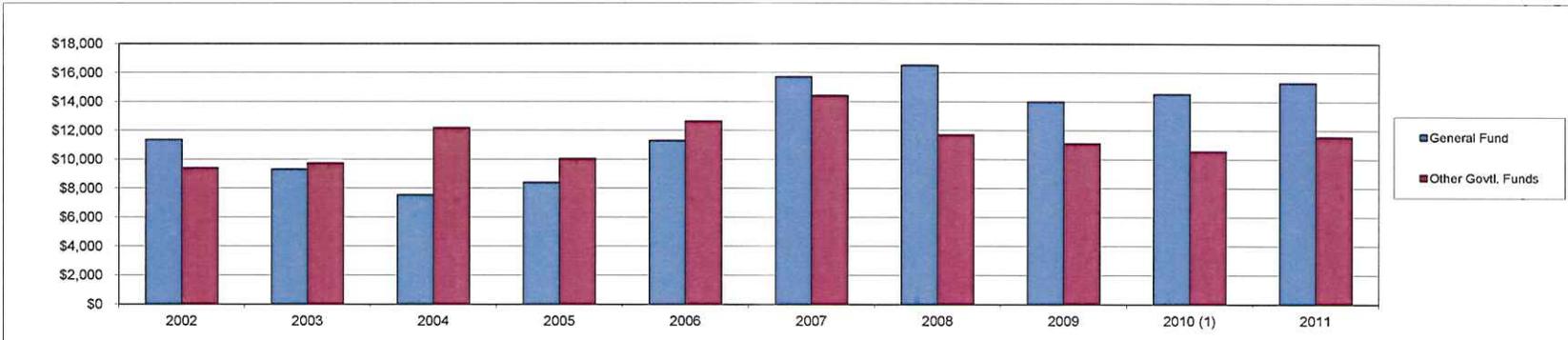
## Notes:

(1) Act 511 taxes are as follows: amusement, emerg. & mun. svcs., occupational, mercantile, business privilege, delinquent 511, transfer and utilities.

(2) 2006 reflects implementation of Homestead Real Estate Tax program.

**UPPER MERION TOWNSHIP**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (1)</u>	<u>2011</u>
General Fund										
Reserved	\$8,243	\$6,004	\$4,208	\$4,713	\$7,451	\$9,301	\$10,607	\$8,842	\$0	\$0
Unreserved	3,122	3,315	3,356	3,692	3,861	6,420	5,939	5,156	0	0
Non spendable	0	0	0	0	0	0	0	0	\$302	\$326
Committed	0	0	0	0	0	0	0	0	2,000	2,000
Assigned	0	0	0	0	0	0	0	0	6,689	7,773
Unassigned	0	0	0	0	0	0	0	0	5,557	5,220
Total general fund	<u>\$11,365</u>	<u>\$9,319</u>	<u>\$7,564</u>	<u>\$8,405</u>	<u>\$11,312</u>	<u>\$15,721</u>	<u>\$16,546</u>	<u>\$13,998</u>	<u>\$14,548</u>	<u>\$15,319</u>
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	5,756	5,568	4,329	4,785	4,284	4,208	3,991	3,782	0	0
General obligation fund	483	648	841	1,055	1,758	1,569	1,549	2,096	0	0
Capital acquisition fund	3,185	3,548	7,041	4,221	6,611	8,660	6,184	5,238	0	0
Non spendable, reported in:										
Special revenue funds	0	0	0	0	0	0	0	0	199	95
Restricted, reported in:										
Special revenue funds	0	0	0	0	0	0	0	0	5,450	5,932
Assigned, reported in:										
Capital acquisition fund	0	0	0	0	0	0	0	0	4,311	4,995
General obligation fund	0	0	0	0	0	0	0	0	483	436
Special revenue funds	0	0	0	0	0	0	0	0	150	133
Total all other governmental funds	<u>\$9,424</u>	<u>\$9,764</u>	<u>\$12,211</u>	<u>\$10,061</u>	<u>\$12,653</u>	<u>\$14,437</u>	<u>\$11,724</u>	<u>\$11,116</u>	<u>\$10,593</u>	<u>\$11,591</u>
Total Fund Balances	\$20,789	\$19,083	\$19,775	\$18,466	\$23,965	\$30,158	\$28,270	\$25,114	\$25,141	\$26,910



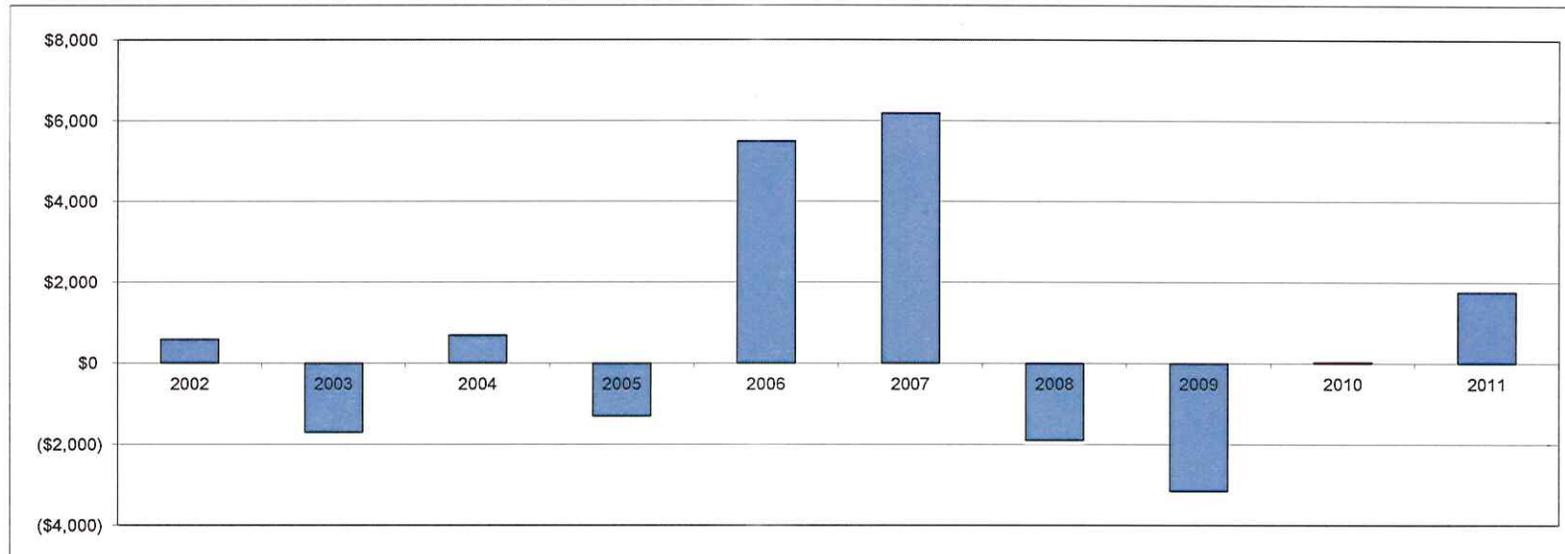
Notes:

(1) Implementation of GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishing new categories and definition revisions for reporting.

**UPPER MERION TOWNSHIP**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>										
Taxes	\$14,697	\$14,600	\$15,946	\$18,233	\$20,723	\$22,833	\$20,164	\$18,943	\$18,775	\$19,173
Grants	1,249	1,190	1,603	1,453	1,741	1,714	1,575	1,514	1,844	3,680
Fines	688	818	359	387	415	426	367	332	325	330
Investment income	462	287	374	786	1,280	1,580	888	340	140	63
Permits and fees	1,503	1,459	1,795	2,068	2,453	2,282	2,448	1,948	2,686	3,640
Reimbursements	877	915	808	814	834	897	806	992	838	963
Parks and recreation	788	828	852	890	899	917	877	782	690	778
Contributions	14	84	170	83	90	85	143	135	93	76
Miscellaneous	<u>908</u>	<u>1,628</u>	<u>584</u>	<u>596</u>	<u>482</u>	<u>508</u>	<u>547</u>	<u>575</u>	<u>503</u>	<u>545</u>
Total revenues	<u>21,186</u>	<u>21,809</u>	<u>22,491</u>	<u>25,310</u>	<u>28,917</u>	<u>31,242</u>	<u>27,815</u>	<u>25,561</u>	<u>25,894</u>	<u>29,248</u>
<b>Expenditures</b>										
Operating	4,658	4,580	5,425	5,235	5,790	5,975	5,804	5,946	5,801	6,000
General government	2,311	2,578	2,149	2,376	2,446	2,205	2,415	2,503	2,303	2,366
Police, health, and public safety	6,713	7,035	7,302	7,505	7,862	8,060	8,362	8,660	9,061	9,670
Roads (1)	3,810	1,705	1,839	2,045	2,005	2,306	2,389	2,175	1,865	1,832
Parks	0	1,948	2,199	2,265	2,499	2,413	2,551	2,354	2,138	2,240
Police and employee pension cost	325	337	640	729	773	817	855	908	916	1,034
Planning and code enforcement	797	876	914	974	1,036	1,119	1,120	1,149	1,059	1,208
Refund of Prior Year Revenues	0	0	0	0	0	0	0	0	0	282
Debt service										
Interest	419	382	494	610	545	721	700	662	206	517
Principal	3,882	872	880	717	673	692	867	864	140	795
Other charges	60	0	131	74	101	0	0	82	65	74
Capital outlay	<u>2,534</u>	<u>3,576</u>	<u>6,440</u>	<u>4,560</u>	<u>5,142</u>	<u>1,969</u>	<u>5,142</u>	<u>4,136</u>	<u>1,915</u>	<u>3,010</u>
Total expenditures	<u>25,509</u>	<u>23,889</u>	<u>28,413</u>	<u>27,090</u>	<u>28,872</u>	<u>26,277</u>	<u>30,205</u>	<u>29,439</u>	<u>25,469</u>	<u>29,028</u>
Excess of revenues over (under) expenditures	(4,323)	(2,080)	(5,922)	(1,780)	45	4,965	(2,390)	(3,878)	425	220

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Other financing sources (uses)</b>										
Refund of Prior Year Revenues	0	0	0	(36)	0	0	0	0	0	0
Transfers in	2,474	4,692	7,063	7,825	5,117	5,267	5,642	6,354	2,046	2,884
Transfers out	(2,120)	(4,317)	(6,638)	(7,607)	(4,774)	(4,064)	(5,215)	(5,794)	(2,722)	(2,384)
General obligation bonds issued (proceeds)	0	0	6,500	7,105	5,000	0	0	15,800	4,155	0
General obligation bonds refunded	3,205	0	0	(6,815)	0	0	0	6,590	0	0
Sale of capital assets	1,352	0	0	0	109	25	65	58	203	162
Settlement expense	0	0	(310)	0	0	0	0	0	0	0
Debt service principal	0	0	0	0	0	0	0	(6,460)	(4,290)	0
Payment to authorities	0	0	0	0	0	0	0	(15,783)	0	0
Bond discount	0	0	0	0	0	0	0	(43)	211	(1)
Note Issuance	0	0	0	0	0	0	0	0	0	810
Issuance of refunding bonds	0	0	0	0	0	0	0	0	0	4,610
Payment to refunded bond escrow agent	0	0	0	0	0	0	0	0	0	(4,532)
Total other financing sources (uses)	<u>4,911</u>	<u>375</u>	<u>6,615</u>	<u>472</u>	<u>5,452</u>	<u>1,228</u>	<u>492</u>	<u>722</u>	<u>(397)</u>	<u>1,549</u>
Net change in fund balances	<u>\$588</u>	<u>(\$1,705)</u>	<u>\$693</u>	<u>(\$1,308)</u>	<u>\$5,497</u>	<u>\$6,193</u>	<u>(\$1,898)</u>	<u>(\$3,156)</u>	<u>\$28</u>	<u>\$1,769</u>
Debt service as a percentage of total expenditures	16.9%	5.2%	4.8%	4.9%	4.2%	5.4%	5.2%	5.2%	1.4%	4.5%

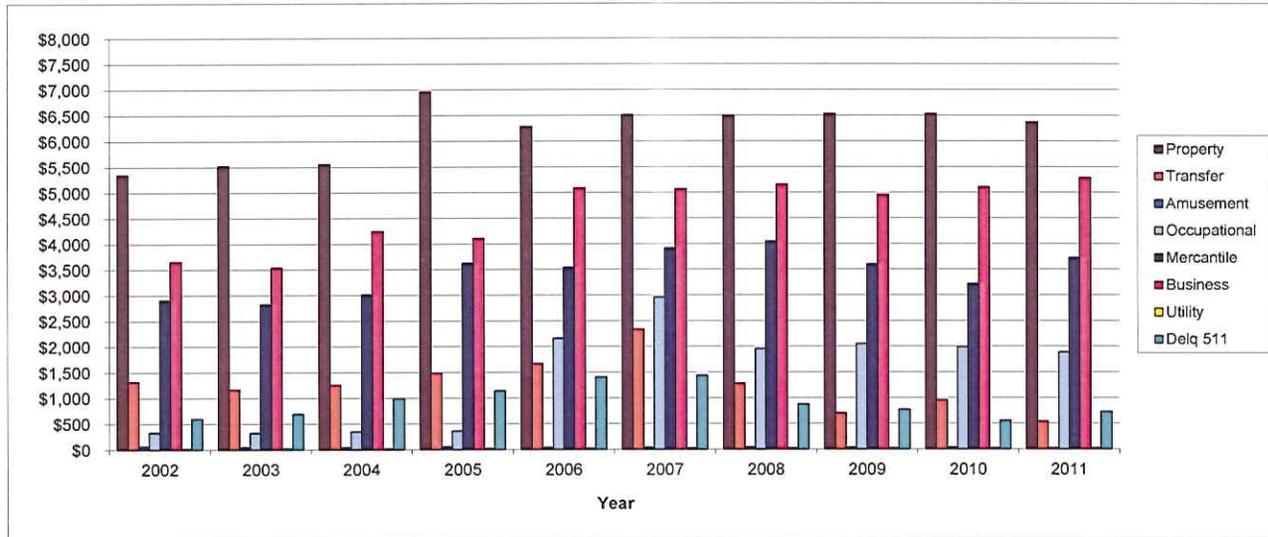


Notes:

(1) 2002: Roads category includes expense for Parks.

**UPPER MERION TOWNSHIP**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts in thousands)

<u>Fiscal Year</u>	<u>Property Tax (1),(3),(4),(6)</u>	<u>Transfer Tax</u>	<u>Amusement Tax</u>	<u>Local Svc. Tax (5)</u>	<u>Mercantile Tax</u>	<u>Business Privilege Tax</u>	<u>Utility Tax</u>	<u>Delinquent Act 511 Taxes (2)</u>	<u>Total</u>
2002	\$5,348	\$1,321	\$72	\$335	\$2,910	\$3,655	\$23	\$602	\$14,266
2003	5,523	1,166	54	328	2,829	3,541	25	694	14,160
2004	5,560	1,255	48	351	3,013	4,254	19	996	15,496
2005	6,965	1,489	57	362	3,625	4,110	25	1,142	17,775
2006	6,285	1,672	46	2,164	3,539	5,090	29	1,408	20,233
2007	6,514	2,341	48	2,958	3,923	5,070	30	1,442	22,326
2008	6,505	1,279	47	1,957	4,048	5,155	30	876	19,897
2009	6,533	704	41	2,055	3,603	4,963	28	773	18,700
2010	6,537	959	39	1,991	3,224	5,110	26	561	18,447
2011	6,371	550	29	1,890	3,729	5,283	26	730	18,608



Notes:

- (1) Includes current, prior, delinquent and interim collections for general, fire, library, capital, parks and municipal building millage.
- (2) Includes all delinquent collections for the amusement, emerg. & mun. svcs., occupational, mercantile and business privilege taxes.
- (3) 2005 reflects millage rate increase of 25%.
- (4) 2006 reflects implementation of Homestead Real Estate Tax program.
- (5) 2001-2005 reflects amounts for the occupational privilege tax. 2006, and forward, reflects amount for the local services tax.
- (6) 2007 reflects new millage rate for open space.

**TABLE 7**

**UPPER MERION TOWNSHIP**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(amounts in thousands)

<b>Fiscal Year Ended 12/31</b>	<b>Residential Property</b>	<b>Vacant Property</b>	<b>Industrial Property</b>	<b>Commercial Property</b>	<b>Institutional Property</b>	<b>Utility Property</b>	<b>Government Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Tax Millage Rate</b>	<b>Estimated Actual Taxable Value (2)</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2002	\$1,426,313,830	\$23,606,331	\$311,415,987	\$1,660,043,245	\$62,612,230	\$17,322,940	\$115,773,410	\$215,908,816	\$3,401,179,157	1.591	\$3,809,320,656	89.29%
2003	1,447,142,520	23,442,511	303,661,437	1,726,359,628	64,679,500	17,322,940	116,070,660	231,805,820	3,466,873,376	1.591	4,090,910,584	84.75%
2004	1,460,550,310	24,316,121	294,243,182	1,756,860,894	64,666,890	17,333,940	116,091,560	190,628,670	3,543,434,227	1.591	4,606,464,495	76.92%
2005	1,480,375,125	22,354,911	292,962,497	1,739,175,594	64,666,890	17,211,020	117,786,120	192,265,720	3,542,266,437	1.991	5,171,708,998	68.49%
2006	1,499,580,285	21,591,281	275,915,937	1,740,523,334	68,385,450	17,211,020	117,878,490	195,382,230	3,545,703,567	1.991	5,176,727,208	68.49%
2007	1,515,135,695	26,217,091	271,349,337	1,715,001,724	67,369,640	17,080,440	118,044,770	194,533,750	3,535,664,947	2.086	5,268,140,771	67.11%
2008	1,521,096,181	27,003,597	268,506,635	1,723,596,984	69,592,390	16,970,610	118,511,050	195,256,120	3,550,021,327	2.086	5,162,070,822	68.77%
2009	1,527,224,461	23,889,517	267,972,033	1,720,955,986	68,888,940	16,970,610	119,380,960	195,625,860	3,549,656,647	2.086	5,111,505,572	69.44%
2010	1,534,046,891	23,165,436	260,885,183	1,661,830,781	70,176,240	17,013,710	120,382,450	197,957,750	3,489,542,941	2.159	5,021,452,292	69.49%
2011	1,534,976,375	24,278,861	257,456,097	1,647,256,977	68,725,240	17,013,710	120,654,211	198,229,511	3,472,131,960	2.159	4,930,427,383	70.42%

**Notes:**

- (1) Includes residential, vacant, industrial, commercial, and taxable institutional & utility properties.
- (2) Common level ratio as compiled by the PA State Tax Equalization Board.

Sources: Montgomery County Board of Assessments, Pennsylvania State Tax Equalization Board and Upper Merion Township.

**TABLE 8**

**UPPER MERION TOWNSHIP**  
**Property Tax Rates**  
**Direct and Overlapping (1) Governments**  
**Last Ten Fiscal Years**

Fiscal Year	Upper Merion Township								Overlapping Rates		Total Direct & Overlapping Rates
	General Fund	Library Fund	Fire Apparatus Fund	Capital Fund	Park Equipment Fund	Municipal Building Fund	Open Space Fund	Total Township Millage	County	School District	
2002	0.745	0.335	0.096	0.155	0.055	0.205	0.000	1.591	2.840	10.440	14.871
2003	0.745	0.335	0.096	0.155	0.055	0.205	0.000	1.591	2.840	11.070	15.501
2004	0.745	0.335	0.096	0.155	0.055	0.205	0.000	1.591	2.840	11.740	16.171
2005	1.045	0.435	0.096	0.155	0.055	0.205	0.000	1.991	2.890	12.710	17.591
2006	1.045	0.435	0.096	0.155	0.055	0.205	0.000	1.991	2.890	13.480	18.361
2007	1.045	0.435	0.096	0.155	0.055	0.205	0.095	2.086	2.840	14.090	19.016
2008	1.045	0.435	0.096	0.155	0.055	0.205	0.095	2.086	2.695	14.640	19.421
2009	1.045	0.435	0.096	0.155	0.055	0.205	0.095	2.086	2.695	15.240	20.021
2010	1.255	0.508	0.096	0.000	0.000	0.205	0.095	2.159	2.695	15.930	20.784
2011	1.255	0.508	0.096	0.000	0.000	0.205	0.095	2.159	2.695	17.190	22.044

**Notes:**

(1) Overlapping rates are those of local and county governments that apply to property owners within Upper Merion Township. Overlapping jurisdictions within Upper Merion Township boundaries include Montgomery County and the Upper Merion Area School District.

Sources: Upper Merion Township, Montgomery County and Upper Merion Area School District

**UPPER MERION TOWNSHIP**  
**Principal Property Taxpayers**  
**December 31, 2011 and December 31, 2002**

<u>Taxpayer</u>	<u>December 31, 2011</u>	
	<u>Real Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
1 King of Prussia Associates(Simon)	\$249,367,000	Commercial Real Estate 7.18%
2 Smithkline Beecham	97,036,460	Commercial Real Estate 2.79%
3 Segal Robert M.	63,411,075	Commercial Real Estate 1.83%
4 Lockheed Martin Corp.	38,315,370	Commercial Real Estate 1.10%
5 Brandywine Operating Partners	32,491,450	Commercial Real Estate 0.94%
6 Executive Offices & Suites LP (V.F. Suites)	31,522,690	Residential Real Estate 0.91%
7 KBF Assoc. L.P. (Kingswood Apts)	31,312,020	Residential Real Estate 0.90%
8 PS Court Associates L.P.	28,000,000	Commercial Real Estate 0.81%
9 JEG Assoc. Ltd. Partnership (Valley View Apts)	26,670,000	Residential Real Estate 0.77%
10 Liberty Property L.P.	24,785,290	Commercial Real Estate 0.71%
	<u>\$622,911,355</u>	<u>17.94%</u>
Total Assessed Valuation	<u>\$3,472,131,960</u>	

<u>Taxpayer</u>	<u>December 31, 2002</u>	
	<u>Real Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
1 King of Prussia Associates(Kravco)	\$249,367,010	Commercial Real Estate 7.33%
2 Smithkline Beecham	106,380,000	Commercial Real Estate 3.13%
3 Robert Segal	63,411,075	Commercial Real Estate 1.86%
4 American Baptist Convention	41,077,900	Commercial Real Estate 1.21%
5 Lockheed Martin Corp.	34,948,360	Commercial Real Estate 1.03%
6 Weissenberger Guntram(VF Suites)	34,250,000	Residential Real Estate 1.01%
7 Philadelphia Newspapers Inc.	32,017,020	Commercial Real Estate 0.94%
8 KBF Assoc. L.P. (Kingswood Apts)	30,754,200	Residential Real Estate 0.90%
9 JEG Assoc. (Valley View Apts)	30,068,750	Residential Real Estate 0.88%
10 LMC Properties Inc.	29,175,660	Commercial Real Estate 0.86%
	<u>\$651,449,975</u>	<u>19.15%</u>
Total Assessed Valuation	<u>\$3,401,179,157</u>	

Source: Montgomery County Board of Assessment

**UPPER MERION TOWNSHIP**  
**Business Privilege & Mercantile Tax (1) Filers by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Business Privilege Tax Types					Mercantile Tax Types						Total All Types
	Service	Hotels	Commercial Rents	Residential Rents	Contractors	Retail Sales	Restaurant	Wholesale	Mixed	Transients	Corp/ Admin Offices	
2002	854	12	179	165	1,252	450	97	51	34	105	61	3,260
2003	847	13	191	152	1,601	448	90	55	31	90	60	3,578
2004	897	14	219	158	1,683	473	82	64	31	99	57	3,777
2005	953	14	241	161	1,973	476	100	50	28	107	58	4,161
2006	949	14	232	166	1,842	491	93	52	26	106	61	4,032
2007	988	13	245	163	1,562	475	86	55	27	129	61	3,804
2008	974	10	257	165	1,342	483	89	47	27	123	53	3,570
2009	978	11	247	172	1,533	484	88	46	23	164	59	3,805
2010	960	11	253	183	1,771	474	93	43	28	219	71	4,106
2011	985	12	263	190	1,666	475	96	41	25	232	73	4,058

Notes:

(1) Business Privilege and Mercantile taxes are levied at 1.5 mills (\$1.50 per \$1,000) on gross receipts of retail (.05 mills for wholesale), service businesses and rental income.

Source: Upper Merion Township Business Tax Collector

## UPPER MERION TOWNSHIP

### Ranking of Top Ten Business Privilege & Mercantile Tax Payers (1) December 31, 2011 and December 31, 2002

December 31, 2011

<u>Name</u>	<u>Rank</u>
GSI Commerce Solutions Inc.	1
BNY Mellon	2
The SI Organization	3
Lockheed Martin Corp.	4
Costco Wholesale	5
BNP Paribas Securities Corp.	6
True Action	7
Nordstrom	8
Bechtel Communications Inc	9
Interdigital Communications	10

Combined percentage, of the top ten businesses, account for 26.23% of total business privilege and mercantile taxes.

December 31, 2002

<u>Name</u>	<u>Rank</u>
Lockheed Martin Corp.	1
Omnicare Clinical Research	2
BNP Paribas Securities Corp.	3
Costco Wholesale	4
Nordstrom	5
Kravco Inc.	6
Neiman Marcus	7
Macys	8
Investment Advisors LLC	9
Bloomingdales	10

Combined percentage, of the top ten businesses, account for 24.01% of total business privilege and mercantile taxes.

**Notes:**

(1) Due to legal restrictions and confidentiality requirements, the Township cannot disclose the amount of tax paid or percentage total by individual taxpayer.

Source: Upper Merion Township Business Tax Collector

**Upper Merion Township**  
**Property Tax Levies & Collections**  
**and Business Privilege & Mercantile Tax Collections**  
**Last Ten Fiscal Years**

<u>Property Tax</u>							<u>Business &amp; Mercantile Tax</u>
<u>Fiscal Year</u> <u>12/31</u>	<u>Levied for the</u> <u>Fiscal Year</u> <u>(1),(3),(4),(5)</u>	<u>Collections for the</u> <u>Fiscal Year</u> <u>(1),(3),(4),(5)</u>	<u>Collections for the</u> <u>Fiscal Year</u> <u>as a % of Levy</u>	<u>Collections in Subsequent</u> <u>Years</u>	<u>Total Collections</u> <u>To Date</u>	<u>Total Collections</u> <u>To Date</u> <u>as a % of Levy</u>	<u>Taxes Collected</u> <u>for the</u> <u>Fiscal Year (2)</u>
2002	\$5,455,220	\$5,388,583	98.8%	\$86,822	\$5,475,405	100.4%	\$7,168,347
2003	5,581,224	5,509,542	98.7%	84,731	5,594,273	100.2%	7,065,691
2004	5,637,604	5,593,373	99.2%	59,580	5,652,953	100.3%	8,264,090
2005	7,052,652	6,990,769	99.1%	80,563	7,071,332	100.3%	8,852,792
2006	6,117,675	6,068,845	99.2%	50,992	6,119,837	100.0%	10,009,749
2007	6,397,385	6,340,517	99.1%	48,328	6,388,845	99.9%	10,406,441
2008	6,379,528	6,324,852	99.1%	42,825	6,367,677	99.8%	10,401,882
2009	6,348,865	6,222,063	98.0%	74,879	6,296,942	99.2%	9,243,868
2010	6,421,230	6,363,060	99.1%	109,298	6,472,358	100.8%	8,806,670
2011	6,374,779	6,306,987	98.9%	50,601	6,357,588	99.7%	9,265,042

## Notes:

- (1) Includes all Township millages.
- (2) Includes current and delinquent collections for the Business Privilege and Mercantile taxes for current fiscal period.
- (3) 2005 reflects millage rate increase of 25%.
- (4) 2006 reflects reduction in property tax levied due to the Homestead Exclusion program.
- (5) 2007 reflects new millage rate for open space.

Source: Upper Merion Township Real Estate Tax Collector, Montgomery County Tax Claim Bureau, Upper Merion Township Financial Statements

**Upper Merion Township**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Assessed Value</b>	<b>General Obligation Debt (1)</b>	<b>Total Primary Government</b>	<b>% of Estimated Actual Taxable Value of Property</b>	<b>Percentage of Median Household Income (2)</b>	<b>Per Capita (2)</b>
2002	3,401,179,157	\$7,865,000	\$7,865,000	0.23%	\$113.25	\$292
2003	3,466,873,376	7,500,000	7,500,000	0.22%	\$105.11	\$278
2004	3,543,434,227	14,560,895	14,560,895	0.41%	\$198.75	\$539
2005	3,542,266,437	14,213,584	14,213,584	0.40%	\$189.09	\$528
2006	3,545,703,567	18,542,055	18,542,055	0.52%	\$240.57	\$691
2007	3,535,664,947	17,849,205	17,849,205	0.50%	\$225.99	\$671
2008	3,550,021,327	16,999,235	16,999,235	0.48%	\$210.15	\$641
2009	3,549,656,647	32,065,000	32,065,000	0.90%	\$400.43	\$1,211
2010	3,489,542,941	28,690,000	28,690,000	0.82%	\$358.73	\$1,010
2011	3,472,131,960	27,050,800	27,050,800	0.78%	\$373.85	\$953

## Notes:

- (1) Details regarding the Township's outstanding debt can be found in the notes to the basic financial statements.  
(2) See Table 18 for population and median household income data.

Sources: U.S. Census Bureau, Delaware Valley Regional Planning Commission, Montgomery County Board of Assessments and Upper Merion Township Annual financial statements.

## Upper Merion Township

### Computation of Direct and Overlapping (1) Debt December 31, 2011

Jurisdiction	Total Debt Outstanding	Percentage Applicable to the Township(2)	Amount Applicable to the Township
<b>Direct Debt:</b>			
Upper Merion Township:			
General Obligation Debt	\$27,050,800	100.0%	\$27,050,800
<i>Total Direct Debt</i>	<u>\$27,050,800</u>		<u>\$27,050,800</u>
<b>Overlapping Debt:</b>			
Upper Merion Area School District	68,175,000	87.8%	59,847,309
Montgomery County	<u>413,302,000</u>	5.9%	<u>24,562,534</u>
<i>Total Overlapping Debt</i>	481,477,000		84,409,843
<b>Total Obligations.....</b>			<u><u>111,460,643</u></u>

## Notes:

(1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Township. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents/businesses of Upper Merion Township.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's and School District's taxable assessed value that is within the government's boundaries and dividing it by the County & School District's total taxable assessed value.

Sources: Upper Merion Township Financial Statements, Montgomery County and Upper Merion Area School District

**Upper Merion Township**

**Computation of Borrowing Base (Unaudited) (1)  
As of 12/31/11**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Revenues Received..... (From all Sources)	\$33,740,382	\$34,902,137	\$38,767,407
Deduct:			
Project Revenues, Receipts Assessments, Etc., Pledged for Self Liquidating Debt Lease Payments, etc.....	277,262	129,742	83,011
Interest on Moneys in Sinking Funds, Reserves and Other Funds and Interest on Bond Proceeds.....	18,844	883	154
Grants & Gifts-In-Aid.....	2,053,260	2,365,562	4,546,356
Non-Recurring Receipts.....	<u>2,333,518</u>	<u>3,315,662</u>	<u>3,915,748</u>
Subtotal Adjusted Revenues.....	\$29,057,498	\$29,090,288	\$30,222,138
Total Revenues Adjusted, Three Years Ended December 31, 2011.....			\$88,369,924
Borrowing Base = Total Revenues Adjusted (divided by 3)			\$29,456,641 (2)

Notes:

(1) Borrowing base calculation in accordance with Pennsylvania Local Government Unit Debt Act, Act 52 of 1978.

(2) Borrowing base is used to calculate legal debt margin (see Table 16).

Source: Upper Merion Township Financial Statements

**Upper Merion Township**  
**Computation of Legal Debt Margin**  
**As of 12/31/11**

	Net Electoral/ Nonelectoral Debt <u>(Borrowing Base x 250%)</u>	Net Electoral/ Nonelectoral Debt and Lease Rental Debt <u>(Borrowing Base x 350%)</u>
Gross Borrowing Capacity (1).....	\$73,641,603	\$103,098,245
Electoral Debt		
General Obligation Bonds-Series of 2011 .....	4,610,000	4,610,000
Non-Electoral Debt		
General Obligation Bonds-Series of 2009 .....	6,390,000	6,390,000
General Obligation Bonds-Series of 2009A.....	11,535,000	11,535,000
General Obligation Bonds-Series of 2010.....	3,705,000	3,705,000
Note Payable.....	810,800	810,800
 Remaining Borrowing Capacity.....	 <u>\$46,590,803</u>	 <u>\$76,047,445</u>

Notes:

(1) See calculation in Table 15.

Source: Upper Merion Township Financial Statements

**UPPER MERION TOWNSHIP**

**Legal Debt Margin Information**

**Last Ten Fiscal Years**

(amounts in thousands)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit (1)	\$85,656	\$86,176	\$87,790	\$92,111	\$101,585	\$109,568	\$107,169	\$102,473	\$98,743	\$103,098
Total net debt applicable to limit	<u>16,757</u>	<u>15,530</u>	<u>20,665</u>	<u>19,813</u>	<u>23,607</u>	<u>22,354</u>	<u>21,109</u>	<u>32,065</u>	<u>28,960</u>	<u>27,050</u>
Legal debt margin	<u>\$68,899</u>	<u>\$70,646</u>	<u>\$67,125</u>	<u>\$72,298</u>	<u>\$77,978</u>	<u>\$87,214</u>	<u>\$86,060</u>	<u>\$70,408</u>	<u>\$69,783</u>	<u>\$76,048</u>
Total net debt applicable to limit as a percentage of debt limit	19.6%	18.0%	23.5%	21.5%	23.2%	20.4%	19.7%	31.3%	29.3%	26.2%

Notes:

(1) Debt limit based on calculations from information in table 16. All calculations are in accordance with the Pennsylvania Local Government Unit Debt Act, Act 52 of 1978.

**UPPER MERION TOWNSHIP**  
**Demographic and Economic Statistics (1)**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u> (2)	<u>Avg. Household Size</u>	<u>Median Age</u>	<u>% of Population with Bachelors Degree or Higher</u>	<u>Median Household Income</u>	<u>Unemployment Rate</u>	<u>Public School Enrollment</u>
2002	26,956	2.3	38.6	50.5%	69,448	4.0%	3,397
2003	26,984	2.3	38.6	50.9%	71,355	4.0%	3,447
2004	27,000	2.2	38.6	51.3%	73,261	3.6%	3,459
2005	26,916	2.2	38.7	51.7%	75,167	3.2%	3,522
2006	26,817	2.2	38.8	52.3%	77,075	2.9%	3,590
2007	26,606	2.2	38.8	53.1%	78,983	2.8%	3,605
2008	26,513	2.2	38.9	53.8%	80,891	3.7%	3,694
2009	26,487	2.2	40.0	53.9%	80,077	5.9%	3,788
2010	28,395	2.3	39.4	60.1%	79,977	5.8%	3,791
2011	28,395	2.4	39.4	56.4%	72,357	5.5%	3,963

**Notes:**

(1) Certain demographic/economic information such as total personal income and per capita personal income are not available for this jurisdiction or any neighboring jurisdictions.

(2) Population estimates based on the 2000 and 2010 U.S. Census data. All other years are estimated figures from the Delaware Valley Regional Planning Commission 2001-2009. 2010 is official count from U.S. Census Bureau.

Sources: U.S. Census Bureau, Bureau of Labor Statistics, Delaware Valley Regional Planning Commission, PA Department of Education and Upper Merion Township Planning Division.

Table 19

## Upper Merion Township

### 10 Largest Employers (Unaudited) Current Year (1) and Nine Years Ago

2011			2002		
<u>Business Name</u>	<u>Employees</u>	<u>% of Total Township Employment</u>	<u>Business Name</u>	<u>Employees</u>	<u>% of Total Township Employment</u>
1 Lockheed Martin	2,769	5.0%	1 Lockheed Martin	3,576	5.6%
2 GlaxoSmithKline	2,674	4.8%	2 GlaxoSmithKline	2,823	4.4%
3 GSI Commerce Solutions	1,000	1.8%	3 Phila. Newspapers Inc.	2,013	3.2%
4 BNY Mellon	786	1.4%	4 Robert Half	1,490	2.3%
5 US Liability Insurance Co.	701	1.3%	5 TYCO Healthcare	971	1.5%
6 Yellow Book of PA	686	1.2%	6 Nordstrom	970	1.5%
7 Upper Merion Area School Dist.	641	1.2%	7 Macys	795	1.2%
8 The SI Organization Inc	632	1.1%	8 Valley Forge Colonial LP	794	1.2%
9 Nordstrom	507	0.9%	9 Aetna	713	1.1%
10 Matrix LLC	<u>482</u>	<u>0.9%</u>	10 Cheesecake Factory	<u>696</u>	<u>1.1%</u>
Total	10,878	19.5%	Total	14,841	23.2%

Notes:

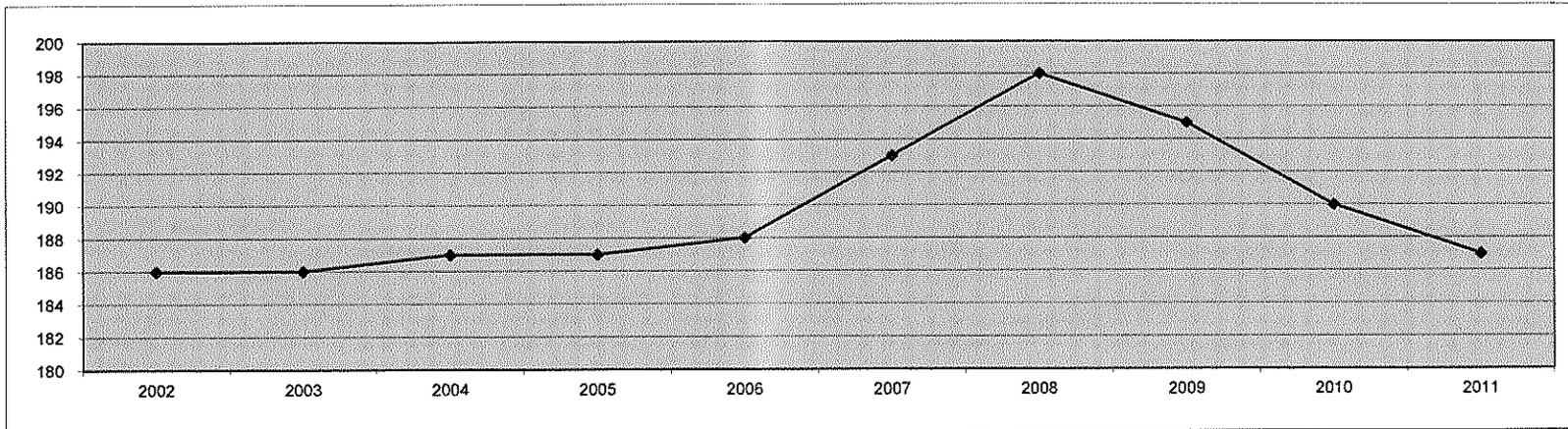
(1) \$12,000 income exemption beginning in 2008. Employee count reflects only those above the exemption and that actually filed/paid the tax.

Source: Upper Merion Township Business Tax Collector

## UPPER MERION TOWNSHIP

### Full Time Township Employees by Function (1) Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	19	19	19	19	20	23	24	24	23	23
Public Safety										
Police										
Officers	62	62	62	62	62	62	64	64	64	64
Civilians	22	22	22	22	22	21	21	21	20	19
Safety and Codes Enforcement	9	9	10	10	10	12	12	11	11	11
Public Works										
Administration	8	8	8	8	8	8	8	8	7	7
Planning	5	5	5	5	5	4	4	4	4	3
Transportation (includes equipment operators)	14	14	14	14	14	14	14	14	14	14
Park/Shade Tree	7	7	7	7	7	9	9	9	8	8
Building Maintenance	2	2	2	2	2	2	2	2	2	2
Vehicle Maintenance	3	3	3	3	3	3	3	3	3	3
Wastewater (Sewer)	21	21	21	21	21	22	24	22	21	20
Culture and Recreation										
Park & Recreation	2	2	2	2	2	2	2	2	2	2
Library	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
<b>Total</b>	<u>186</u>	<u>186</u>	<u>187</u>	<u>187</u>	<u>188</u>	<u>193</u>	<u>198</u>	<u>195</u>	<u>190</u>	<u>187</u>



Notes:

(1) Employee data reflects data as approved 1/1 of each fiscal year budget.

Source: Township Finance Office

## UPPER MERION TOWNSHIP

Operating Indicators by Function  
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Government</b>										
Reception incoming calls	24,759	26,671	25,805	22,467	23,433	23,400	20,927	18,834	13,411	11,923
Tax returns received	8,283	8,340	8,624	8,904	9,169	9,204	9,684	10,602	10,515	11,217
Public meetings held	225	208	221	230	209	192	220	214	167	155
<b>Public Safety</b>										
<i>Police</i>										
Traffic citations	3,845	2,827	1,735	1,845	1,485	1,726	1,344	1,899	1,460	1,792
Traffic crash reports (accidents)	2,259	2,211	2,002	2,042	1,992	1,767	1,692	1,740	1,663	1,689
Retail theft	438	475	546	651	600	594	662	769	783	763
Alarms	3,531	3,409	3,543	3,247	3,213	3,083	2,889	2,420	2,543	2,526
<i>Safety and Codes Enforcement</i>										
Plan reviews	not available	1,078	1,208	1,171	1,341	1,611	1,711	1,518	1,790	1,723
Permits	1,946	2,034	2,407	2,502	2,601	2,378	1,373	1,387	1,719	1,937
<b>Public Works</b>										
<i>Administration</i>										
Reception incoming calls	18,673	17,317	16,859	17,191	17,227	16,059	13,981	14,327	10,391	8,220
<i>Transportation</i>										
Tons of leaves collected	2,460	1,388	1,592	1,622	1,402	2,099	1,583	1,527	1,014	666
Street patching man hours	4,154	3,695	4,954	6,003	4,916	5,087	5,799	6,339	4,604	6,717
<i>Park/Shade Tree</i>										
Tons of material composted	3,518	2,585	2,995	2,797	3,370	3,140	4,629	3,378	4,215	4,694
<i>Building/Vehicle Maintenance</i>										
Vehicle damage repairs	63	71	74	63	58	47	23	10	11	10
<i>Wastewater (Sewer)</i>										
Gallons of wastewater treated (in millions)	2,039	2,627	2,557	2,439	2,311	2,406	2,105	2,038	2,208	2,284
<b>Culture and Recreation</b>										
<i>Park &amp; Recreation</i>										
# of participants for all programs	9,095	9,323	9,371	7,663	7,434	6,323	7,764	6,317	6,444	6,119
<i>Library</i>										
Circulation for all materials	not available	190,809	188,548	194,861	190,915	199,154	212,602	213,169	212,166	218,546

Source: Upper Merion Township December ytd departmental statistic reports.

**UPPER MERION TOWNSHIP**

**Capital Asset and Infrastructure Statistics by Function  
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Government</b>										
Square footage occupied	5,913	5,913	5,913	5,913	5,913	5,913	5,913	5,913	5,913	5,913
<b>Public Safety</b>										
<i>Police</i>										
Square footage occupied	15,007	15,007	15,007	15,007	15,007	15,007	15,007	15,007	15,007	15,007
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	1	1	1	1	1	1	1	1	1	1
<i>Safety and Codes Enforcement</i>										
Volunteer Fire Companies	3	3	3	3	3	3	3	3	3	3
Inspection vehicles	7	7	8	8	8	8	8	7	6	6
<b>Public Works</b>										
<i>Administration</i>										
Square footage occupied	1,147	1,147	1,147	1,147	1,147	1,147	1,147	1,147	1,147	1,147
<i>Planning</i>										
Inspection vehicles	2	2	2	2	2	2	2	2	1	1
<i>Transportation</i>										
Total Miles of roads/streets	80.57	81.81	82.02	82.58	82.58	83.01	83.01	83.89	83.89	83.89
Traffic Signals	65	66	68	68	68	69	69	70	70	70
<i>Park/Shade Tree</i>										
Number of park maintenance equipment	12	13	15	16	16	16	16	16	17	17
<i>Wastewater (Sewer)</i>										
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Pumping stations	11	11	11	11	11	12	12	12	12	12
Miles of sanitary sewer	121.85	121.85	122.24	123.62	123.62	123.62	123.62	123.62	123.62	123.62
<b>Culture and Recreation</b>										
<i>Park &amp; Recreation</i>										
Park acreage	390.82	390.82	400.82	400.82	400.82	418.74	424.72	443.59	446.66	446.66
Parks	34	34	35	35	35	35	35	35	35	35
<i>Library</i>										
Number of materials in collection	121,176	129,385	122,703	127,171	132,535	130,761	129,831	135,378	139,432	141,077

Source: Various Township departments.

