

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended
December 31, 2013



MURAL DEDICATION



TRICENTENNIAL
SPONSOR
BUS SHELTER
POSTER



TRICENTENNIAL GOLF CLASSIC



EAC RAIN GARDEN DEDICATION



TRICENTENNIAL GALA GUESTS



UPPER MERION TOWNSHIP, PENNSYLVANIA

*Prepared by
Upper Merion Township
Administration Department*



UPPER MERION TOWNSHIP

BOARD OF SUPERVISORS

175 WEST VALLEY FORGE ROAD
KING OF PRUSSIA, PA 19406-1802
610-265-2600
FAX: 610-265-0482
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BOARD OF SUPERVISORS

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TOWNSHIP SOLICITOR

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

June 24, 2014

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, 2013. 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 Finance and 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 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, 2013. 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.

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 1st and ends on December 31st.

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 1st 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. However, 2012 revenue does show a sign of recovery in some business sectors as well as development activity. A more detailed analysis of the Township's overall financial condition during the fiscal year ended 2013 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 7.7% 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 stagnation of the economy in 2009 required the Governing Body and Staff to completely change its approach in formulating goals, objectives and initiatives of the Township. Since that time, the goals, objectives and initiatives focused on cost saving/reduction measures, reduction/elimination of certain services and a re-evaluation of how the Township does business in certain areas. The following list of items was included as the Township's goals, objectives and initiatives for 2013. The balance of these items is either in place, in progress or continues to be researched for future consideration:

- No tax increase
- Assess current organizational structure and conduct compensation survey.
- Actively pursue avenues for bio-mass plant or other sustainable "businesses" for township to grow top line (as opposed to cut bottom line).
- Ensure that the TriCentennial celebration will take place and promote Upper Merion Township beyond our municipal boundaries.
- Review Zoning Code
- Work with developers, organizations and utilities to advance projects that will alleviate future traffic problems and provide our residents with multiple ways to commute through and outside Upper Merion.
- Investigate and implement efficiencies within the township to save money for the township and/or for our residents, such as better utilization of space in the township building or single hauler trash collection system.

- Continue to seek to identify businesses not paying 511 taxes to increase 511 tax revenue via legal newspaper announcements, Chamber of Commerce, yellow pages and online searches
- Continue to seek request for services re: software to enable citizens/staff to submit questions, concerns, ideas.
- Promote house/building addresses. Public Works Department to do annual assessment of street signage through township as to condition and visibility with assistance of Police Department.
- Develop a strategic sustainability and vision plan.
- Examine real estate assessment values for the purpose of possible appeals
- Continue with Hiring Freeze
- Retirement Incentive
- Maintain current engagement rates for professional consultants
- Continuously evaluate website for better accessibility and utilization
- Continue to promote electronic delivery including minutes, agendas, services
- Continue to develop and enhance relationship with Business Improvement District (BID)
- Increase staff purchasing limit.

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, 2012. This was the sixteenth consecutive year that the Township has achieved this prestigious award.

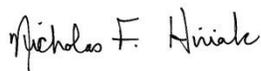
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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 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, David G. Kraynik, and the Board of Supervisors.

Sincerely,



Nicholas F. Hiriak
Director of Finance and Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

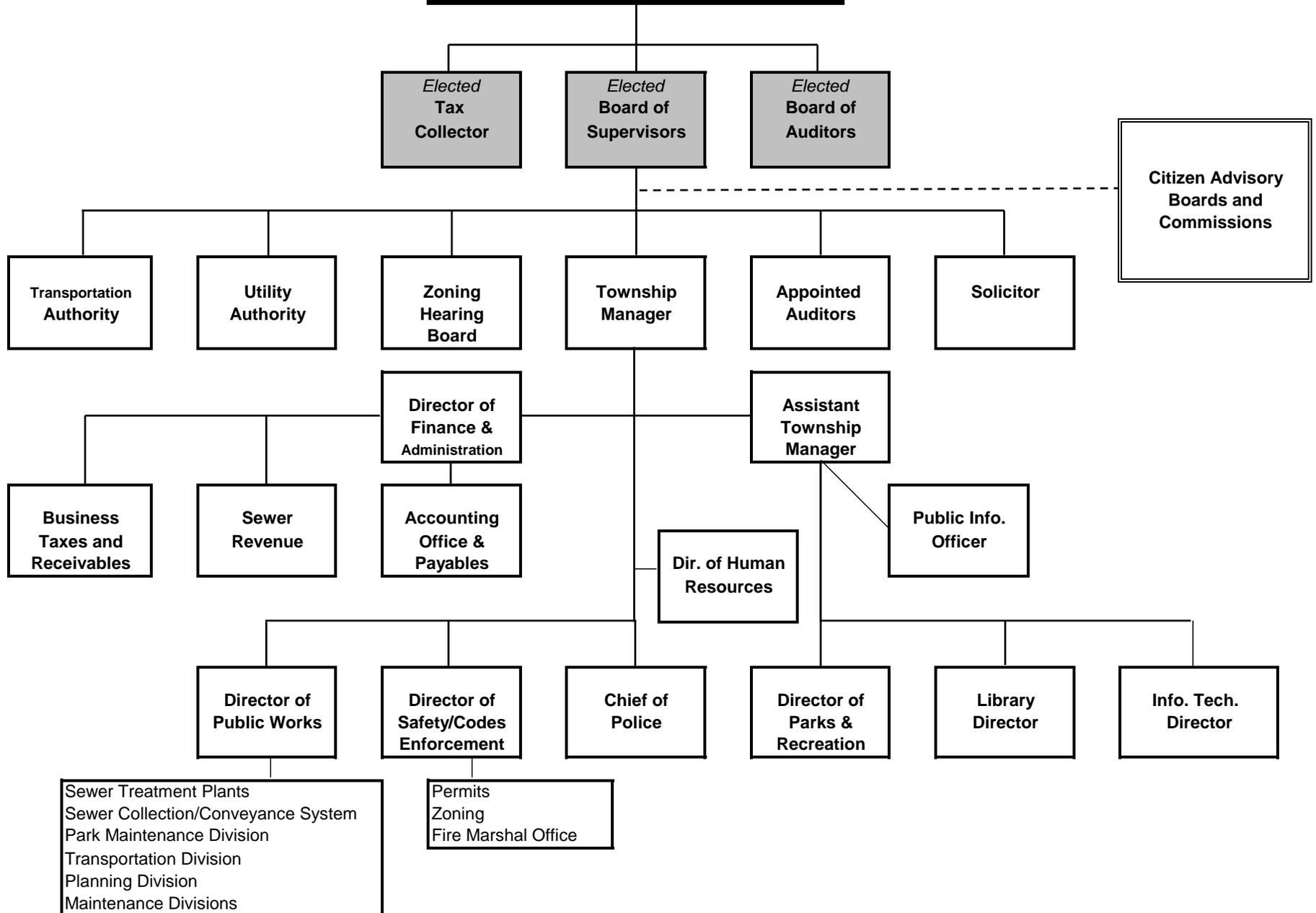
**Upper Merion Township
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

Upper Merion Voters



Upper Merion Township
Montgomery County, Pennsylvania

2013 TOWNSHIP OFFICIALS

ELECTED OFFICIALS

Governing Body:

Chairman, Board of Supervisors	Greg Waks
Vice-Chairman, Board of Supervisors	Erika Spott
Member, Board of Supervisors	William Jenaway
Member, Board of Supervisors	Carole Kenney
Member, Board of Supervisors	Greg Philips

Elected Auditors:

Chairman	George Shoffner, CPA
Vice-Chairman	Van Weiss
Secretary	Lynn Cosentino

Elected Tax Collector	Rose Hykel
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APPOINTED OFFICIALS

Township Manager	David G. Kraynik
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	Thomas Nolan
Director of Public Works	Edward O'Brien
Director of Safety & Codes Enforcement	John R. Waters
Information Technology Director	Scott Widenhofer
Township Solicitor	Joseph J. McGrory, Jr., Esq. Hamburg, Rubin, Mullin, Maxwell & Lupin PC
Township Engineer	Thomas F. Beach, P.E., CME Remington, Vernick & Beach
Township Appointed Auditors	Maillie LLP Certified Public Accountants

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 and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Upper Merion Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages through , budgetary comparison information on pages through , trend data on infrastructure condition on page and pension plan funding progress on page be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Merion Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Maillie LLP

Oaks, Pennsylvania
June 24, 2014

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

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, 2013. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities by \$80,161,494 (net position).
- There was no increase in Township real estate tax rates for 2013.
- 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 2013, and was rated by Moody's Investor Services and reaffirmed Aaa status. The series was an advanced refunding with an average coupon rate of 2.245%

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 position, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net position 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 position* 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.
- 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.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

- *Fund financial statements* focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. 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 position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Township's Sewer Operating Fund and the General Authority and can be found in more detail beginning with the statement of net position, Proprietary Funds. The Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The Fiduciary Funds are 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 Position and Statement of Activities

Our analysis of the Township as a whole begins with the statement of net position. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about 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's sewer system and General Authority are reported here. For the Township's sewer system, the Township charges a fee to customers to help it cover most of the cost of certain services it provides. For the General Authority, established in 1986 as a financing authority for the expansion and renovation of the Township Building, the Authority charges the Township an annual rental fee which is equal to the debt service for the bond issue used to construct the building.

UPPER MERION TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

- **Component Units** - The Township includes two separate legal entities in this report: the Municipal Utility Authority and the Transportation 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 position 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 position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the Township's governmental and business-type activities.

Table 1
Condensed Statement of Net Position
December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and investments	\$ 34,796,521	\$ 9,639,358	\$ 44,435,879
Other assets	8,307,733	1,741,533	10,049,266
Capital assets, net of accumulated depreciation	57,239,430	7,543,874	64,783,304
TOTAL ASSETS	<u>100,343,684</u>	<u>18,924,765</u>	<u>119,268,449</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	<u>451,631</u>	<u>81,258</u>	<u>532,889</u>
LIABILITIES			
Other liabilities	2,875,974	277,216	3,153,190
Long-term liabilities	34,580,471	1,906,183	36,486,654
TOTAL LIABILITIES	<u>37,456,445</u>	<u>2,183,399</u>	<u>39,639,844</u>
NET POSITION			
Net investment in capital assets	34,012,254	5,718,949	39,731,203
Restricted	6,180,959	-	6,180,959
Unrestricted	<u>23,145,657</u>	<u>11,103,675</u>	<u>34,249,332</u>
TOTAL NET POSITION	<u>\$ 63,338,870</u>	<u>\$ 16,822,624</u>	<u>\$ 80,161,494</u>

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Table 2
Condensed Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and investments	\$ 35,711,774	\$ 8,425,773	\$ 44,137,547
Other assets	10,475,957	2,014,978	12,490,935
Capital assets, net of accumulated depreciation	58,140,910	6,802,298	64,943,208
TOTAL ASSETS	<u>104,328,641</u>	<u>17,243,049</u>	<u>121,571,690</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	<u>83,448</u>	<u>108,343</u>	<u>191,791</u>
LIABILITIES			
Other liabilities	2,548,104	279,492	2,827,596
Long-term liabilities	37,463,706	2,514,911	39,978,617
TOTAL LIABILITIES	<u>40,011,810</u>	<u>2,794,403</u>	<u>42,806,213</u>
NET POSITION			
Net investment in capital assets	15,644,269	4,395,730	20,039,999
Restricted	6,563,350	-	6,563,350
Unrestricted	<u>42,192,660</u>	<u>10,161,259</u>	<u>52,353,919</u>
TOTAL NET POSITION	<u>\$ 64,400,279</u>	<u>\$ 14,556,989</u>	<u>\$ 78,957,268</u>

Analysis as of December 31, 2013, shows that cash and investments represent 34.7% of Upper Merion Township's total governmental assets, an increase of .5% over 2012. Of this amount, \$1,711,260 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 \$1,335,695 that reflects possible contractual obligations of police and management personnel.

By far the largest portion of the Township's governmental assets, 57.0%, 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 as well as the investment in the municipal building. The Township operates and maintains two waste treatment plants, 12 pumping stations and 123 miles of sewer lines. The \$9.6 million in cash and investments allows for future investment in the sewer facilities. The investment in the municipal building dates back to the original acquisition and construction in 1966 with a new construction and renovation project completed in 1988.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Accumulated depreciation reflects 34.2% of total capital assets for governmental activities and 56.3% 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.

Governmental Activities

The Township generates governmental revenues, which include the General Fund, from a variety of sources. Total revenue, excluding transfers and gains on sale of assets, for governmental activities for fiscal 2013 was \$29,982,829. Revenues by source are presented in Table 3.

Business privilege tax revenue is the largest source of Governmental Fund revenues and accounts for 24.0% of total revenues. Property tax revenue is the second largest source, accounting for 19.7% of total revenues. In the past, property tax revenue generated the most of all Governmental Fund revenues, but the impact of property assessment appeals has eroded away at this revenue source.

For fiscal 2013, 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 the 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 2013, total revenue decreased by approximately 4.8% and can be attributed primarily to a increase in contributions based on a full year of revenue from the Valley Forge Casino. The Township also had received a few grants for operating and capital purposes during the course of 2013.

Business privilege and mercantile tax is based on the gross sales of retail, manufacturing and services business and is basically flat from 2012 and reveals leveling in consumer spending and business commerce. This revenue source accounts for over 35% 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 in recent years, the Township remains aware that it could take years for the revenue to return to pre-recession levels.

Investment income has increased to approximately \$79,000, and reflects a positive change of 26.7% from 2012. This lower interest rate environment is continuing to make this source of revenue a non-factor in regard to total revenue. Prior to the economic meltdown and the reduction of interest rates, interest income generated approximately \$1.5M at its highest in 2007 (with approximately the same investable balance as today).

Between 2006 and 2012, the Township's annualized assessed property valuation declined by 1.4% due to a combination of successful tax appeals and falling market values with a level off of appeals by 2013. 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 2012 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. However, for 2013, this revenue source shows an increase of 23.7% over 2012 and is attributable to the sale of a major apartment complex. See the section under "Economic Factors" for more discussion on the transfer tax.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

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 2013 were \$30,454,700. 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 over 20 positions due to early retirements, terminations and attrition.

From a comparison of the Net Position, Ending, and comparing ending balances of \$63.3M to \$64.4M; one could infer that the Township's overall financial position from governmental activities declined in 2013 compared to that of 2012. However, as you review the "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities", note that there are a number of transactions accounted for that do not directly impact the daily fiscal operations of the Township; specifically see the transactions for capital outlays, borrowing of long-term debt and the repayment of bond principal. The Net Position change for 2013 is (\$1,061,409) compared to that in 2012 of (\$4,424,599) and was due mainly to the recognition of a \$3.4M litigation liability. From a going-concern perspective, total revenues were up 4.8% from 2012 and total expenses were down 8.8% from 2012. The Township's continued conservative budgeting, ample reserve levels and strong financial management to continue to mitigate any remaining effects stemming from the somewhat continued economic downturn.

Business-Type Activities

Business-type activities comprise the Township's sewer system and the Township's General Authority. Total revenue from this activity is \$7,439,957. Charges for services account for \$7,092,657 or 95.3% of revenue. Total expenses were \$5,799,064.

The Sewer Revenue Fund portion of charges for services consists of \$6,444,302. This is the revenue derived from the sewer system rate payers. There was an increase to sewer rental rates of \$2.00/quarter for 2013 to be set aside to fund future capital maintenance projects. Expenses to operate the system total \$5,529,763.

The General Authority revenue portion is derived from an annual rental fee paid by the Township that is equal to the debt service for the bond issue used to construct the municipal building. For 2013, the amount was \$648,355.

From an overall financial position compared to 2012, the Sewer Revenue Fund is financially and operationally holding its own at the current time. The increase in cash and investments is due to the sewer rate increases and is being saved for future budgeting to fund ongoing capital maintenance projects. Total current assets, which include cash, investments, prepaid expenses and receivables, have increased in 2013 (\$11,341,762) compared to 2012 (\$10,374,112). Revenues for 2013, as shown in Table 3, increased compared to those of 2012 (\$6,715,518) due mainly to the 4% increase of the sewer rates. Expenses for 2013, as shown in Table 3, compared to 2012 (\$5,597,124) represents an increase by approximately 4% and are reflective of expense increases in some treatment costs, utilities and overtime.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Table 3
Changes in Net Position
Year Ended December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
REVENUES			
Program revenues			
Charges for services	\$ 4,689,632	\$ 7,092,657	\$ 11,782,289
Operating/capital grants and contributions	4,523,760	332,605	4,856,365
General revenues			
Property taxes	5,900,213	-	5,900,213
Amusement taxes	17,416	-	17,416
Business privilege taxes	7,194,811	-	7,194,811
Local services taxes	2,229,418	-	2,229,418
Mercantile taxes	3,490,955	-	3,490,955
Transfer taxes	1,138,085	-	1,138,085
Public utilities taxes	25,162	-	25,162
Investment income	78,830	14,695	93,525
Contributions	3,462	-	3,462
Miscellaneous	691,085	-	691,085
	<u>29,982,829</u>	<u>7,439,957</u>	<u>37,422,786</u>
EXPENSES			
Operating	6,582,979	206,542	6,789,521
General government	3,422,251	-	3,422,251
Police, health and public safety	10,919,856	-	10,919,856
Roads	4,223,554	-	4,223,554
Parks	2,343,966	-	2,343,966
Police and employee pension cost	1,159,184	-	1,159,184
Planning and code enforcement	1,134,322	-	1,134,322
Interest on long-term debt	668,588	62,759	731,347
Sewer	-	5,529,763	5,529,763
	<u>30,454,700</u>	<u>5,799,064</u>	<u>36,253,764</u>
CHANGE IN NET POSITION BEFORE TRANSFERS AND GAIN ON DISPOSAL OF ASSETS			
	(471,871)	1,640,893	1,169,022
TRANSFERS	(624,742)	624,742	-
GAIN ON DISPOSAL OF ASSETS	<u>35,204</u>	<u>-</u>	<u>35,204</u>
CHANGE IN NET POSITION	(1,061,409)	2,265,635	1,204,226
NET POSITION, BEGINNING	<u>64,400,279</u>	<u>14,556,989</u>	<u>78,957,268</u>
NET POSITION, ENDING	<u>\$ 63,338,870</u>	<u>\$ 16,822,624</u>	<u>\$ 80,161,494</u>

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Table 4
Changes in Net Position
Year Ended December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
REVENUES			
Program revenues			
Charges for services	\$ 4,676,939	\$ 6,701,423	\$ 11,378,362
Operating/capital grants and contributions	3,124,435	-	3,124,435
General revenues			
Property taxes	6,046,920	-	6,046,920
Amusement taxes	20,091	-	20,091
Business privilege taxes	6,815,837	-	6,815,837
Emergency and municipal services taxes	2,066,388	-	2,066,388
Mercantile taxes	3,895,578	-	3,895,578
Transfer taxes	920,382	-	920,382
Public utilities taxes	24,995	-	24,995
Investment income	62,186	14,095	76,281
Contributions	40,339	-	40,339
Miscellaneous	889,487	-	889,487
	<u>28,583,577</u>	<u>6,715,518</u>	<u>35,299,095</u>
EXPENSES			
Operating	6,388,940	208,919	6,597,859
General government	7,831,183	-	7,831,183
Police, health and public safety	10,921,064	-	10,921,064
Roads	2,855,280	-	2,855,280
Parks	2,564,044	-	2,564,044
Police and employee pension cost	997,505	-	997,505
Planning and code enforcement	1,123,458	-	1,123,458
Interest on long-term debt	712,281	81,874	794,155
Sewer	-	5,306,331	5,306,331
	<u>33,393,755</u>	<u>5,597,124</u>	<u>38,990,879</u>
CHANGE IN NET POSITION BEFORE TRANSFERS AND LOSS ON DISPOSAL OF ASSETS	(4,810,178)	1,118,394	(3,691,784)
TRANSFERS	430,882	(430,882)	-
LOSS ON DISPOSAL OF ASSETS	(45,303)	-	(45,303)
CHANGE IN NET POSITION	(4,424,599)	687,512	(3,737,087)
NET POSITION, BEGINNING	<u>68,824,878</u>	<u>13,869,477</u>	<u>82,694,355</u>
NET POSITION, ENDING	<u>\$ 64,400,279</u>	<u>\$ 14,556,989</u>	<u>\$ 78,957,268</u>

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

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, 2013, the Township's Governmental Funds reported combined ending balances of \$33,142,408, a decrease of \$1,229,679 as compared to the prior year. Approximately \$36K (less than 1%) is nonspendable because it is in a nonspendable form as a prepaid item. Approximately 41.1%, or \$13,626,275, 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 6.0%, 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 35.4% or \$11,719,431. 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 17.4%, or \$5,760,495, 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 \$5,760,495, while total fund balance reached \$14,917,406. The total fund balance of the General Fund increased by \$365,913 (exclusive of prepaid items) in fiscal year 2013. Also, fund balance was not drawn down, as was planned in the 2013 budget for operations. Instead, the Township's operating activities for 2013 show an excess of revenues over expenditures of \$1,347,685.

The **Fire Apparatus Fund** has a total fund balance as of December 31, 2013, of \$3,964,828, and all 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. 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.

The **Capital Acquisition Fund** has a total fund balance of \$4,498,389, 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 2013. 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.

UPPER MERION TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

The **General Obligation Fund** has a total fund balance of \$7,356,632, 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. The funds are set aside for a major community center building project planned for 2014/2015.

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, 2013, is \$2,405,153, a decrease from fiscal 2012 due to an increase of street resurfacing projects for 2013.

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 2013:

- \$8,000 increase in tuition in the Safety & Codes Department for employees enrolled in undergraduate degree studies.
- \$25,000 increase for engineering inspections in the Public Works Department due to an increase in the street resurfacing program.
- \$10,000 increase to vehicle maintenance in the Public Works Sewer Collections Division for repairs to the jet/vac truck pumps.
- \$18,000 increase to material maintenance expense in the Public Works Department due to installation of speed humps and additional street milling for a storm water run-off issue.

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

- \$438,085 increase in real estate transfer tax due to unexpected sales activity of a few commercial properties during the year.
- \$527,384 increase in grants due to unexpected grant awards and increases in state subsidy payments.
- \$67,706 decrease in park and recreation program fees, but with a corresponding reduction of \$199,374 of program expenses.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

- Police salaries show a (\$302,790) increase in salaries---this is due to the off-duty traffic duties that are performed for local businesses during the course of the calendar year. These services are then billed out on a rate per hour basis and are recognized back into the operating account under reimbursements in the operating account.
- \$220,461 increase in police pension cost due to changes in the calculations and liabilities of the police pension plan.

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, 2013 and 2012, totals \$64,783,304 and \$64,943,208, 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:

Buffer zone video recording and software equipment	\$	79,688
Vehicle and motorized equipment purchases for public safety and general government		126,949
Heuser Park Trail Design		179,083
Adaptive traffic signals		76,605
Recreation Center design/business plan		308,518
Sewer trickling filters		802,500
Sewer rotary press projects		535,970

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.

The Township has fallen below its street condition policy as of December 31, 2012. Due to tough economic times and reduced available revenues, street resurfacing projects were eliminated from past years budgets. For 2012, The Township budgeted approximately \$1.5M for street resurfacing in order to bring the maintenance level back up to required condition level. During 2012, the Township hired a consulting engineer to assess the Township's street and road condition. A detailed report was prepared to determine what levels of maintenance were necessary. Bidding for the resurfacing projects was completed and awarded, at approximately \$1.1M, during the fall of 2012. In 2013, the 2012 and 2013 resurfacing projects were completed bringing the condition level from 4.90 in 2012 and 5.60 in 2013.

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, 2013

Table 5
Capital Assets at Year-End
(Net of Depreciation)
Year Ended December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land	\$ 20,612,920	\$ -	\$ 20,612,920
Infrastructure	12,770,076	-	12,770,076
Construction in progress	401,920	-	401,920
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>33,784,916</u>	<u>-</u>	<u>33,784,916</u>
CAPITAL ASSETS BEING DEPRECIATED			
Library collection	198,425	-	198,425
Land improvements	5,825,663	-	5,825,663
Buildings and improvements	3,727,102	3,654,178	7,381,280
Furniture and equipment	1,051,786	2,093,298	3,145,084
Automobiles and trucks	1,667,466	-	1,667,466
Infrastructure	10,984,072	1,796,398	12,780,470
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>23,454,514</u>	<u>7,543,874</u>	<u>30,998,388</u>
TOTAL CAPITAL ASSETS, net	<u>\$ 57,239,430</u>	<u>\$ 7,543,874</u>	<u>\$ 64,783,304</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 \$32,508,924 in outstanding debt compared to \$36,355,474 last year for the primary government. The debt due within one year for governmental activities is \$3,577,794 and \$600,000 for business-type activities. Also, debt (notes payable) from the Township's component units totals \$5,245,000 for the Municipal Utility Authority and \$3,174,822 for the Transportation Authority.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Table 6
Outstanding Debt at Year-End
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 30,000,000	\$ 33,180,000
Notes payable	658,924	735,474
	<u>30,658,924</u>	<u>33,915,474</u>
BUSINESS-TYPE ACTIVITIES		
Notes payable	1,850,000	2,440,000
COMPONENT UNITS		
Notes payable	<u>8,419,822</u>	<u>10,415,000</u>
	<u>\$ 40,928,746</u>	<u>\$ 46,770,474</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 2013, the Township's collection of these taxes was \$10,685,766, and is basically a flat line collection from 2012. 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 2013, 260 use and occupancy permits were issued and were down by approximately 8.7% from 2012 and a total of 27% since the onset of the recession. Commercial activity is continuing. During 2013, there were tear downs and rebuilds of a 3,100 square foot Burger King and a 6,300 square foot Chili's restaurant. The Valley Forge Casino complex continued with renovations to their hotel and convention spaces. Construction commenced on a new 213K square foot Target store and 200K square foot medical facility for the Children's Hospital of Philadelphia. Plans are under development for a 24K square foot CarMax facility and 143K square foot expansion to the King of Prussia Mall. Also, sales of existing commercial properties (8) increased and bolstered the revenue for the real estate transfer tax in the amount of \$560,354.

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Housing still remains a center of uncertainty. Homes with price points above \$1M are showing a growth in sales. Price ranges below are showing mixed signals of growth. According to the most widely following 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. Collections of total transfer tax were up from 2012. However, as mentioned above, sales of commercial properties are the reason for the increase. Housing sales within the Township show slight increases over 2012 levels.

However, the Township's financial outlook is beginning to stabilize. With increases in business taxes, a holding of permit revenues, and the new gaming revenue source; reserve levels have remained strong for the last three years. The Township's intent is to keep reserve levels strong for the foreseeable future given our conservative budgeting practices. Assessed values are stabilizing from the onslaught of appeals and should begin to show some growth due to the 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.
- Low debt burden.

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)

UPPER MERION TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Next Year's Budget

The 2014 budget continues to be a conservative spending plan; and, as per the Board of Supervisor's budget guidelines, it contains an increase of 3.20% over the 2013 adopted budget. As the Township progresses through 2014, this budget will require management by the Board and staff to ensure that the Township can live within this spending plan. In 2014, 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.

UPPER MERION TOWNSHIP
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Municipal Utility Authority	Transportation Authority
ASSETS					
Cash and cash equivalents	\$ 11,407,867	\$ 5,545,694	\$ 16,953,561	\$ 1,658,966	\$ 248,185
Investments	23,388,654	4,093,664	27,482,318	6,177,161	3,918,815
Receivables, net	1,129,486	1,720,931	2,850,417	47,811	131,809
Note receivable	7,095,000	-	7,095,000	-	42,700
Internal balances	29,107	(29,107)	-	-	-
Due from primary government	-	-	-	23,976	-
Due from Transportation Authority	17,933	-	17,933	-	-
Prepaid expenses	36,207	49,709	85,916	-	-
Capital assets					
Library books	3,318,867	-	3,318,867	-	-
Land	20,612,920	-	20,612,920	-	-
Land improvements	12,672,180	8,145	12,680,325	-	-
Buildings and improvements	7,020,661	10,730,647	17,751,308	53,619,848	-
Furniture and equipment	4,605,894	3,271,018	7,876,912	-	-
Automobiles and trucks	9,520,564	481,465	10,002,029	-	-
Infrastructure	28,905,608	2,786,678	31,692,286	-	-
Construction in progress	401,920	-	401,920	-	-
Accumulated depreciation	(29,819,184)	(9,734,079)	(39,553,263)	(34,667,363)	-
TOTAL ASSETS	<u>100,343,684</u>	<u>18,924,765</u>	<u>119,268,449</u>	<u>26,860,399</u>	<u>4,341,509</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	451,631	81,258	532,889	213,905	-
LIABILITIES					
Due to primary government	-	-	-	-	17,933
Due to Municipal Utility Authority	-	23,976	23,976	-	-
Accounts payable	1,672,400	162,909	1,835,309	6,045	51,484
Accrued salaries and benefits	1,087,884	74,735	1,162,619	-	-
Accrued interest	115,690	15,596	131,286	44,219	17,527
Long-term liabilities					
Portion due or payable within one year					
Bonds and notes payable	3,577,794	600,000	4,177,794	1,705,000	330,463
Portion due or payable after one year					
Bonds and notes payable	27,457,645	1,306,183	28,763,828	3,698,501	2,844,359
Settlements payable	3,545,032	-	3,545,032	-	-
TOTAL LIABILITIES	<u>37,456,445</u>	<u>2,183,399</u>	<u>39,639,844</u>	<u>5,453,765</u>	<u>3,261,766</u>
NET POSITION					
Net investment in capital assets	34,012,254	5,718,949	39,731,203	13,762,889	-
Restricted for					
Debt service	1,664,243	-	1,664,243	-	-
Capital projects	3,876,144	-	3,876,144	-	-
Liquid fuels	640,572	-	640,572	-	-
Unrestricted	23,145,657	11,103,675	34,249,332	7,857,650	1,079,743
TOTAL NET POSITION	<u>\$ 63,338,870</u>	<u>\$ 16,822,624</u>	<u>\$ 80,161,494</u>	<u>\$ 21,620,539</u>	<u>\$ 1,079,743</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		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	
PRIMARY GOVERNMENT										
Governmental activities										
Operating	\$ 6,582,979	\$ 3,216,334	\$ 1,724,535	\$ -	\$ (1,642,110)	\$ -	\$ (1,642,110)	\$ -	\$ -	
General government	3,422,251	-	-	-	(3,422,251)	-	(3,422,251)	-	-	
Police, health and public safety	10,919,856	619,014	14,360	-	(10,286,482)	-	(10,286,482)	-	-	
Roads	4,223,554	34,990	906,780	655,000	(2,626,784)	-	(2,626,784)	-	-	
Parks	2,343,966	819,294	-	-	(1,524,672)	-	(1,524,672)	-	-	
Police and employee pension cost	1,159,184	-	1,223,085	-	63,901	-	63,901	-	-	
Planning and code enforcement	1,134,322	-	-	-	(1,134,322)	-	(1,134,322)	-	-	
Interest on long-term debt	668,588	-	-	-	(668,588)	-	(668,588)	-	-	
TOTAL GOVERNMENTAL ACTIVITIES	30,454,700	4,689,632	3,868,760	655,000	(21,241,308)	-	(21,241,308)	-	-	
Business-type activities										
Sewer	5,529,763	6,444,302	332,605	-	-	1,247,144	1,247,144	-	-	
General Authority	269,301	648,355	-	-	-	379,054	379,054	-	-	
TOTAL BUSINESS-TYPE ACTIVITIES	5,799,064	7,092,657	332,605	-	-	1,626,198	1,626,198	-	-	
TOTAL PRIMARY GOVERNMENT	\$ 36,253,764	\$ 11,782,289	\$ 4,201,365	\$ 655,000	(21,241,308)	1,626,198	(19,615,110)	-	-	
COMPONENT UNITS										
Municipal Utility Authority	\$ 1,508,246	\$ 519,750	\$ -	\$ 97,472	-	-	-	(891,024)	-	
Transportation Authority	1,928,994	694,789	-	-	-	-	-	-	(1,234,205)	
TOTAL COMPONENT UNITS	\$ 3,437,240	\$ 1,214,539	\$ -	\$ 97,472	-	-	-	(891,024)	(1,234,205)	
GENERAL REVENUES										
Property taxes, levied for general purposes					5,900,213	-	5,900,213	-	-	
Amusement taxes					17,416	-	17,416	-	-	
Business privilege taxes					7,194,811	-	7,194,811	-	-	
Local services taxes					2,229,418	-	2,229,418	-	-	
Mercantile taxes					3,490,955	-	3,490,955	-	-	
Transfer taxes					1,138,085	-	1,138,085	-	-	
Public utilities taxes					25,162	-	25,162	-	-	
Investment income					78,830	14,695	93,525	20,016	5,222	
Contributions					3,462	-	3,462	-	-	
Miscellaneous					691,085	-	691,085	-	-	
Gain on sale of assets					35,204	-	35,204	-	-	
TRANSFERS					(624,742)	624,742	-	-	-	
TOTAL GENERAL REVENUES AND TRANSFERS					20,179,899	639,437	20,819,336	20,016	5,222	
CHANGE IN NET POSITION					(1,061,409)	2,265,635	1,204,226	(871,008)	(1,228,983)	
NET POSITION AT BEGINNING OF YEAR					64,400,279	14,556,989	78,957,268	22,491,547	2,308,726	
NET POSITION AT END OF YEAR					\$ 63,338,870	\$ 16,822,624	\$ 80,161,494	\$ 21,620,539	\$ 1,079,743	

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	<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>
ASSETS						
Cash and cash equivalents	\$ 11,374,373	\$ -	\$ 33,494	\$ -	\$ -	\$ 11,407,867
Investments	4,313,712	4,002,387	5,170,823	7,356,632	2,545,100	23,388,654
Taxes receivable, net	241,634	5,469	-	-	27,494	274,597
Due from component unit	17,933	-	-	-	-	17,933
Due from other funds	68,602	-	-	-	-	68,602
Other receivables	854,538	351	-	-	-	854,889
Prepaid items	36,207	-	-	-	-	36,207
TOTAL ASSETS	<u>\$ 16,906,999</u>	<u>\$ 4,008,207</u>	<u>\$ 5,204,317</u>	<u>\$ 7,356,632</u>	<u>\$ 2,572,594</u>	<u>\$ 36,048,749</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ 38,648	\$ -	\$ -	\$ 847	\$ 39,495
Accounts payable	825,038	7	705,928	-	141,427	1,672,400
Accrued salaries and benefits	1,087,884	-	-	-	-	1,087,884
TOTAL LIABILITIES	<u>1,912,922</u>	<u>38,655</u>	<u>705,928</u>	<u>-</u>	<u>142,274</u>	<u>2,799,779</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue, property taxes	76,671	4,724	-	-	25,167	106,562
FUND BALANCES						
Nonspendable						
Prepaid items	36,207	-	-	-	-	36,207
Restricted for						
Debt service	-	-	-	-	1,664,243	1,664,243
Capital projects	-	3,964,828	-	7,356,632	-	11,321,460
Liquid fuels	-	-	-	-	640,572	640,572
Committed to revenue stabilization	2,000,000	-	-	-	-	2,000,000
Assigned to						
Subsequent year's budget	2,063,544	-	-	-	-	2,063,544
Contractual commitments	1,335,695	-	-	-	-	1,335,695
Equipment replacement	1,711,260	-	-	-	-	1,711,260
Capital projects	1,010,205	-	4,498,389	-	100,338	5,608,932
Property and liability insurance	1,000,000	-	-	-	-	1,000,000
Unassigned	5,760,495	-	-	-	-	5,760,495
TOTAL FUND BALANCES	<u>14,917,406</u>	<u>3,964,828</u>	<u>4,498,389</u>	<u>7,356,632</u>	<u>2,405,153</u>	<u>33,142,408</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,906,999</u>	<u>\$ 4,008,207</u>	<u>\$ 5,204,317</u>	<u>\$ 7,356,632</u>	<u>\$ 2,572,594</u>	<u>\$ 36,048,749</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP

**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

December 31, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 33,142,408

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Library books	3,318,867
Land	20,612,920
Land improvements	12,672,180
Buildings and improvements	7,020,661
Furniture and equipment	4,605,894
Automobiles and trucks	9,520,564
Infrastructure	28,905,608
Construction in progress	401,920
Accumulated depreciation	(29,819,184)

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 position. 7,095,000

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(115,690)
Bonds and notes payable	(30,658,924)
Settlements payable	(3,545,032)
Bond discounts and premiums	(376,515)
Deferred amount on refunding	451,631

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. 106,562

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 63,338,870

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, 2013

	General Fund	Fire Apparatus Fund	Capital Acquisition Fund	General Obligation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 18,033,309	\$ 308,415	\$ -	\$ -	\$ 2,174,982	\$ 20,516,706
Grants	2,979,813	-	344,806	-	-	3,324,619
Fines	353,869	-	-	-	-	353,869
Investment income	54,077	19,571	2,029	1,580	1,573	78,830
Permits and fees	2,862,450	-	-	-	-	2,862,450
Reimbursements	899,054	-	13,096	-	-	912,150
Parks and recreation	819,294	-	-	-	-	819,294
Contributions	-	-	25,356	-	-	25,356
Miscellaneous	246,355	-	1,351	-	163,354	411,060
TOTAL REVENUES	26,248,221	327,986	386,638	1,580	2,339,909	29,304,334
EXPENDITURES						
Current						
Operating	5,762,028	-	-	-	648,355	6,410,383
General government	2,818,633	-	-	-	-	2,818,633
Police, health and public safety	9,970,909	-	-	-	-	9,970,909
Roads	1,728,738	-	-	-	1,535,615	3,264,353
Parks	2,333,008	-	-	-	-	2,333,008
Police and employee pension cost	1,159,184	-	-	-	-	1,159,184
Planning and code enforcement	1,128,036	-	-	-	-	1,128,036
Debt service						
Interest	-	-	-	6,091	614,255	620,346
Principal	-	-	-	-	1,176,550	1,176,550
Bond issue costs	-	-	-	92,064	-	92,064
Capital outlay	-	-	1,090,808	-	-	1,090,808
TOTAL EXPENDITURES	24,900,536	-	1,090,808	98,155	3,974,775	30,064,274
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,347,685	327,986	(704,170)	(96,575)	(1,634,866)	(759,940)
OTHER FINANCING SOURCES (USES)						
Issuance of refunding bonds	-	-	-	6,405,000	-	6,405,000
Payment to refunded bond escrow agent	-	-	-	(6,634,833)	-	(6,634,833)
Bond premium	-	-	-	327,988	-	327,988
Proceeds from sale of capital assets	56,848	-	-	-	-	56,848
Transfers in	230,044	-	1,870,271	-	1,223,870	3,324,185
Transfers out	(1,259,153)	(43,648)	(1,061,388)	(1,230,401)	(354,337)	(3,948,927)
TOTAL OTHER FINANCING SOURCES (USES)	(972,261)	(43,648)	808,883	(1,132,246)	869,533	(469,739)
NET CHANGE IN FUND BALANCES	375,424	284,338	104,713	(1,228,821)	(765,333)	(1,229,679)
FUND BALANCES AT BEGINNING OF YEAR	14,541,982	3,680,490	4,393,676	8,585,453	3,170,486	34,372,087
FUND BALANCES AT END OF YEAR	\$ 14,917,406	\$ 3,964,828	\$ 4,498,389	\$ 7,356,632	\$ 2,405,153	\$ 33,142,408

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,229,679)
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 (\$2,490,235) exceeds capital outlays (\$1,610,399) in the current period.	(879,836)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.	(21,644)
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 increased by this amount this year.	23,495
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.	(2,260,000)
Borrowing of long-term debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net position.	(6,405,000)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	9,661,550
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds. Settlement expense	(75,962)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. This is the net effect of these differences in the treatment of long-term debt and related items.	70,830
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>54,837</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,061,409)</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	<u>Enterprise Funds</u>		
	<u>Sewer Revenue Fund</u>	<u>General Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,477,458	\$ 68,236	\$ 5,545,694
Investments	4,093,664	-	4,093,664
Receivables	1,720,931	-	1,720,931
Prepaid expenses	49,709	-	49,709
	<u>11,341,762</u>	<u>68,236</u>	<u>11,409,998</u>
TOTAL CURRENT ASSETS			
CAPITAL ASSETS			
Property and equipment	9,205,785	8,072,168	17,277,953
Accumulated depreciation	(4,815,770)	(4,918,309)	(9,734,079)
TOTAL CAPITAL ASSETS	<u>4,390,015</u>	<u>3,153,859</u>	<u>7,543,874</u>
TOTAL ASSETS	<u>15,731,777</u>	<u>3,222,095</u>	<u>18,953,872</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	81,258	81,258
LIABILITIES			
CURRENT LIABILITIES			
Due to other funds	29,107	-	29,107
Due to Municipal Utility Authority	23,976	-	23,976
Accounts payable	162,909	-	162,909
Accrued salaries and benefits	74,735	-	74,735
Accrued interest payable	-	15,596	15,596
Current portion of note payable	-	600,000	600,000
	<u>290,727</u>	<u>615,596</u>	<u>906,323</u>
TOTAL CURRENT LIABILITIES			
NONCURRENT LIABILITIES			
Note payable, less current portion	-	1,306,183	1,306,183
TOTAL LIABILITIES	<u>290,727</u>	<u>1,921,779</u>	<u>2,212,506</u>
NET POSITION			
Net investment in capital assets	4,390,015	1,328,934	5,718,949
Unrestricted	11,051,035	52,640	11,103,675
TOTAL NET POSITION	<u>\$ 15,441,050</u>	<u>\$ 1,381,574</u>	<u>\$ 16,822,624</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2013

	Enterprise Funds		Total Proprietary Funds
	Sewer Revenue Fund	General Authority	
OPERATING REVENUES			
Charges for services	\$ 6,036,304	\$ -	\$ 6,036,304
Lease payments	-	648,355	648,355
Penalties	62,046	-	62,046
Other	345,952	-	345,952
TOTAL OPERATING REVENUES	<u>6,444,302</u>	<u>648,355</u>	<u>7,092,657</u>
OPERATING EXPENSES			
Administrative	831,323	-	831,323
Accounting	-	3,500	3,500
Trout Run treatment plant	1,356,934	-	1,356,934
Pumping stations	1,358,041	-	1,358,041
Matsunk treatment plant	1,236,470	-	1,236,470
Contingencies	142,882	-	142,882
Miscellaneous	-	598	598
Depreciation	604,113	202,444	806,557
TOTAL OPERATING EXPENSES	<u>5,529,763</u>	<u>206,542</u>	<u>5,736,305</u>
OPERATING INCOME	<u>914,539</u>	<u>441,813</u>	<u>1,356,352</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	332,605	-	332,605
Earnings on investments	14,678	17	14,695
Interest expense	-	(62,759)	(62,759)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>347,283</u>	<u>(62,742)</u>	<u>284,541</u>
INCOME BEFORE INTERFUND TRANSFERS	<u>1,261,822</u>	<u>379,071</u>	<u>1,640,893</u>
INTERFUND TRANSFERS	<u>624,742</u>	<u>-</u>	<u>624,742</u>
CHANGE IN NET POSITION	<u>1,886,564</u>	<u>379,071</u>	<u>2,265,635</u>
NET POSITION AT BEGINNING OF YEAR	<u>13,554,486</u>	<u>1,002,503</u>	<u>14,556,989</u>
NET POSITION AT END OF YEAR	<u>\$ 15,441,050</u>	<u>\$ 1,381,574</u>	<u>\$ 16,822,624</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2013

	Enterprise Funds		Total Proprietary Funds
	Sewer Revenue Fund	General Authority	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,651,428	\$ 648,355	\$ 7,299,783
Payments to employees	(1,733,990)	-	(1,733,990)
Payments to suppliers	(3,239,289)	(4,098)	(3,243,387)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,678,149</u>	<u>644,257</u>	<u>2,322,406</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	624,742	-	624,742
Due to other funds	23,429	(111)	23,318
Due to Municipal Utility Authority	92,307	-	92,307
Operating grants	332,605	-	332,605
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,073,083</u>	<u>(111)</u>	<u>1,072,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	(1,548,133)	-	(1,548,133)
Principal paid on capital debt	-	(590,000)	(590,000)
Interest paid	-	(58,355)	(58,355)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,548,133)</u>	<u>(648,355)</u>	<u>(2,196,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(34,113)	-	(34,113)
Earnings on investments	14,678	17	14,695
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(19,435)</u>	<u>17</u>	<u>(19,418)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,183,664	(4,192)	1,179,472
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,293,794</u>	<u>72,428</u>	<u>4,366,222</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,477,458</u>	<u>\$ 68,236</u>	<u>\$ 5,545,694</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 914,539	\$ 441,813	\$ 1,356,352
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	604,113	202,444	806,557
(Increase) decrease in			
Receivables	207,126	-	207,126
Prepaid expenses	(25,330)	-	(25,330)
Increase (decrease) in			
Accounts payable	(24,744)	-	(24,744)
Accrued salaries and benefits	2,445	-	2,445
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,678,149</u>	<u>\$ 644,257</u>	<u>\$ 2,322,406</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 983,642
Investments, at fair value		
Corporate bonds	12,457,795	-
Equity stocks and options	37,399,223	-
Money market funds	4,516,461	-
Mortgages	338,219	-
Mutual funds	<u>5,221,134</u>	<u>-</u>
TOTAL ASSETS	59,932,832	\$ <u><u>983,642</u></u>
LIABILITIES		
Other current liabilities	<u>-</u>	\$ <u><u>983,642</u></u>
NET POSITION		
Assets held in trust for pension benefits	\$ <u><u>59,932,832</u></u>	

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2013

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 224,261
Employee	460,176
Commonwealth	870,096
TOTAL CONTRIBUTIONS	<u>1,554,533</u>
Investment income	
Net appreciation in fair value of investments	8,885,876
Interest income	462,794
Dividend income	320,672
TOTAL INVESTMENT INCOME	<u>9,669,342</u>
Investment expenses	<u>(217,573)</u>
INVESTMENT INCOME, net	<u>9,451,769</u>
Other income	
Miscellaneous receipts	151
Loan repayments from members	18,165
TOTAL OTHER INCOME	<u>18,316</u>
TOTAL ADDITIONS	<u>11,024,618</u>
DEDUCTIONS	
Pension payments	3,522,524
Administrative expenses	15,900
Refund of members' contributions	639
TOTAL DEDUCTIONS	<u>3,539,063</u>
CHANGE IN NET POSITION	7,485,555
NET POSITION AT BEGINNING OF YEAR	<u>52,447,277</u>
NET POSITION AT END OF YEAR	<u>\$ 59,932,832</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Unit - Upper Merion General Authority (the "General Authority") is a separate legal entity created in June 1986 to plan, finance, construct, renovate and maintain public use facilities in the Township. The General Authority provides financing services entirely to the primary government, and the General Authority's total debt outstanding is to be repaid entirely with resources from the primary government. The General Authority charges the Township an annual rental fee, which is equal to the debt service for the bond issue used to construct the building. A five-member board, appointed by the Township's Board of Supervisors, governs the General Authority. The General Authority is reported as an Enterprise Fund and issues separate audited financial statements which may be obtained from the Township Finance Director.

Discretely Presented Component Units - Upper Merion Municipal Utility Authority (the "Municipal Utility Authority") is a separate legal entity created in August 1986 to plan, finance and construct the sewer plant and system for public use in the Township. The major function of the Municipal Utility Authority is to provide financing for capital construction of the Township's sewage collection and treatment facilities. A five-member board, appointed by the Township's Board of Supervisors, governs the Municipal Utility Authority. The Township has the responsibility for daily operations through a leaseback arrangement with the Municipal Utility Authority. The Authority developed a program of advance payments for individuals, developers and businesses to purchase non-allocated and future capacity in the sanitary sewer system. The program was launched due to the need to construct and upgrade sewage treatment capacity. The program is called Upper Merion Sewer Access Rights (UMSAR) and is the primary revenue source for the Municipal Utility Authority. The primary government will provide additional subsidies to support the Municipal Utility Authority when it experiences operating deficits that are not financed by other means. The component unit issues separate audited financial statements which may be obtained from the Township Finance Director.

Upper Merion Transportation Authority (the "Transportation Authority") is a separate legal entity created in 1985 to acquire, plan, construct and maintain highways, parkways, traffic distribution centers, parking lots and garages for the Township. The program identifies and prioritizes current highway and intersection flow problems and establishes a starting point for future improvements. The program also provides a mechanism and source of revenue to fund various local improvements and reduces dependence on uncertain and untimely federal and state funding.

UPPER MERION TOWNSHIP
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A five-member board, appointed by the Township's Board of Supervisors, governs the Transportation Authority. 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 component unit issues separate audited financial statements which may be obtained from the Township Finance Director.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The statement of net position 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.

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).

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 derived from a .096 mill tax on real estate 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.

The Township reports the following major Proprietary Funds:

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

The *General Authority* is a blended component unit of the Township. It was created to plan, finance, construct, renovate and maintain public use facilities in the Township. The component unit's total debt outstanding is expected to be repaid entirely with resources of the primary government through a lease arrangement.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 *Pension Trust Funds* account for activities of the Police and Non-Uniform Pension Plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Fund* accounts for assets held by the Township in a trustee capacity or as an agent on behalf of others. The Agency Fund includes funds deposited by developers for legal, engineering and other fees incurred on behalf of specific land development projects; funds deposited for placement of temporary signs in Township right-of-ways; funds deposited in regard to the protest of taxes paid on real property pending an assessment appeal; and funds placed in account for improvements to the library by the Friends Association. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the accrual basis of accounting.

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.

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.

UPPER MERION TOWNSHIP
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December 31, 2013

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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
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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. Payment of accrued vacation is at the discretion of the Township Manager. 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 position. 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.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 liened by January 16 with the county.

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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Township has one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as 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 are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

Restricted Net Position

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

Fund Balance

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. Fund balance types of this category are prepaid items and long-term loans receivables.
- ***Restricted*** - 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*** - 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. The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. 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.

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. 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** - Amounts not contained in other classifications. Unassigned fund balance includes the residual classifications for the General Fund. 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 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. As of December 31, 2013, \$250,000 of the Township's bank balance of \$18,074,028 was insured by the FDIC. Of the remaining \$17,824,028, \$17,747,448 was exposed to custodial credit risk, which is collateralized in accordance with ACT 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name, and \$76,580 was invested in state investment pools, which is uninsured and uncollateralized.

Deposits - Component Units

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the component unit's deposits may not be returned to it. As of December 31, 2013, \$498,185 of the component unit's bank balance of \$1,907,151 was insured by the FDIC. The remaining \$1,408,966 was exposed to custodial credit risk, which is collateralized in accordance with ACT 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Investments

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

As of December 31, 2013, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ 26,818,635	\$ 26,818,635
Certificates of deposit	<u>744,000</u>	<u>744,000</u>
	27,562,635	\$ <u>27,562,635</u>
Outstanding checks drawn on state investment pools	<u>(80,317)</u>	
	<u>\$ 27,482,318</u>	

As of December 31, 2013, the component units had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ 7,160,095	\$ 7,160,095
Certificates of deposit	2,488,053	2,488,053
Fixed income	<u>495,804</u>	<u>495,804</u>
	10,143,952	\$ <u>10,143,952</u>
Outstanding checks drawn on state investment pools	<u>(47,976)</u>	
	<u>\$ 10,095,976</u>	

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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As of December 31, 2013, the Pension Trust Funds had the following investments:

Investment Type	Fair Value	Investment Maturities		
		Less Than One Year	1 to 5 Years	6 to 10 Years
Corporate bonds	\$ 12,457,795	\$ 2,792,270	\$ 8,056,007	\$ 1,609,518
Equity stocks and options	37,399,223	37,399,223	-	-
Money market funds	4,516,461	4,516,461	-	-
Mortgages	338,219	-	338,219	-
Mutual funds	5,221,134	5,221,134	-	-
	<u>\$ 59,932,832</u>	<u>\$ 49,929,088</u>	<u>\$ 8,394,226</u>	<u>\$ 1,609,518</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. 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. The Police and Non-Uniformed Pension Plans do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair values losses arising from increasing interest rates.

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.

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).

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 by the primary government. As of December 31, 2013, the primary government's investment in the state investment pool was rated AA+ by Standard & Poor's. At December 31, 2013, \$312,715 (2.51%), \$3,584,147 (28.77%), \$7,492,409 (60.14%), \$334,500 (2.69%) and \$170,000 (1.36%) of the Police Pension Plan corporate bonds were rated, AA, A, BAA, B and CA, respectively, by Morningstar, and \$564,024 (4.53%) of the corporate bonds from the Non-Uniformed Pension Plan were unrated. At December 31, 2013, \$338,219 (100%) of the Police Pension Plan mortgages were rated BAA by Morningstar. The Police and Non-Uniform Pension Plans do not have formal policies that limit investments to ratings issued by nationally recognized statistical rating organizations.

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.

Escrow Cash Deposits and Investments

The Township acts in a custodial capacity with respect to monies deposited with it for the employee scholarship program; funds deposited by developers for legal, engineering and other fees incurred on behalf of specific land development projects; funds deposited for placement of temporary signs in Township right-of-ways; funds deposited in regard to the protest of taxes paid on real property pending an assessment appeal; and funds placed in account for improvements to the library by the Friends Association. Any unused deposits are returned to the payer upon completion of the projects or settlement of the protest. None of the monies received from or expended are recorded in the revenues and expenses of the Township. At December 31, 2013, \$983,642 represents the balance of these monies held in escrow.

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

Receivables are comprised of the following:

	Primary Government							Component Units	
	Governmental Funds				Proprietary Fund	Totals	Municipal Utility Authority	Transportation Authority	
	General Fund	Fire Apparatus Fund	Other Governmental Funds	Total Governmental Funds	Sewer Revenue Fund				
Real estate taxes	\$ 241,634	\$ 5,469	\$ 27,494	\$ 274,597	\$ -	\$ 274,597	\$ -	\$ -	
Other taxes and fees	689,703	-	-	689,703	-	689,703	-	-	
Other	-	-	-	-	-	-	47,811	-	
Grants	-	-	-	-	-	-	-	130,692	
Sewer receivable	-	-	-	-	1,720,931	1,720,931	-	-	
Cable television	163,067	-	-	163,067	-	163,067	-	-	
Interest	1,768	351	-	2,119	-	2,119	-	1,117	
	<u>\$ 1,096,172</u>	<u>\$ 5,820</u>	<u>\$ 27,494</u>	<u>\$ 1,129,486</u>	<u>\$ 1,720,931</u>	<u>\$ 2,850,417</u>	<u>\$ 47,811</u>	<u>\$ 131,809</u>	

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note Receivable - Primary Government

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>
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>\$ 5,245,000</u>	<u>\$ 266,917</u>	<u>\$ 1,850,000</u>	<u>\$ 94,215</u>

Note Receivable - Component Unit

The Transportation Authority provided a loan to Kings Way Properties, LP on September 30, 2013, with an initial balance of \$43,424. Principal and interest payments in the amount of \$776 shall be made the first of each month beginning October 1, 2013. The terms of the loan are 2.80% interest with the loan receivable in full in 60 months on September 1, 2018. The balance as of December 31, 2013, was \$42,700.

NOTE D INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2013, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Revenue Fund	\$ 29,107
General Fund	Fire Apparatus Fund	38,648
General Fund	Other Governmental Funds	<u>847</u>
		<u>\$ 68,602</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Transportation Authority	\$ 17,933
Municipal Utility Authority	Sewer Revenue Fund	<u>23,976</u>
		<u>\$ 41,909</u>

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>Sewer Revenue Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 280,533	\$ -	\$ 978,620	\$ 1,259,153
Fire Apparatus Fund	38,648	5,000	-	-	43,648
Capital Acquisition Fund	-	-	1,061,388	-	1,061,388
General Obligation Fund	-	1,230,401	-	-	1,230,401
Other Governmental Funds	-	354,337	-	-	354,337
Sewer Revenue Fund	<u>191,396</u>	<u>-</u>	<u>-</u>	<u>245,250</u>	<u>436,646</u>
	<u>\$ 230,044</u>	<u>\$ 1,870,271</u>	<u>\$ 1,061,388</u>	<u>\$ 1,223,870</u>	<u>\$ 4,385,573</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 position. 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, 2013

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2013, was as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 20,612,920	\$ -	\$ -	\$ 20,612,920
Infrastructure	12,770,076	-	-	12,770,076
Construction in progress	38,251	363,669	-	401,920
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	33,421,247	363,669	-	33,784,916
Capital assets being depreciated				
Library books	3,336,800	-	(17,933)	3,318,867
Land improvements	12,479,807	192,373	-	12,672,180
Buildings and improvements	6,943,389	77,272	-	7,020,661
Furniture and equipment	4,444,719	161,175	-	4,605,894
Automobiles and trucks	9,538,626	109,384	(127,446)	9,520,564
Infrastructure	15,429,006	706,526	-	16,135,532
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,172,347	1,246,730	(145,379)	53,273,698
Accumulated depreciation				
Library books	(3,027,085)	(111,290)	17,933	(3,120,442)
Land improvements	(6,127,709)	(718,808)	-	(6,846,517)
Buildings and improvements	(3,045,866)	(247,693)	-	(3,293,559)
Furniture and equipment	(3,248,445)	(305,663)	-	(3,554,108)
Automobiles and trucks	(7,335,236)	(623,664)	105,802	(7,853,098)
Infrastructure	(4,668,343)	(483,117)	-	(5,151,460)
TOTAL ACCUMULATED DEPRECIATION	(27,452,684)	(2,490,235)	123,735	(29,819,184)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	24,719,663	(1,243,505)	(21,644)	23,454,514
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 58,140,910	\$ (879,836)	\$ (21,644)	\$ 57,239,430
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Land improvements	\$ 8,145	\$ -	\$ -	\$ 8,145
Buildings and improvements	10,730,647	-	-	10,730,647
Furniture and equipment	1,814,284	1,456,734	-	3,271,018
Automobiles and trucks	481,465	-	-	481,465
Infrastructure	2,695,279	91,399	-	2,786,678
TOTAL CAPITAL ASSETS BEING DEPRECIATED	15,729,820	1,548,133	-	17,277,953
Accumulated depreciation				
Land improvements	(8,145)	-	-	(8,145)
Buildings and improvements	(6,737,076)	(339,393)	-	(7,076,469)
Furniture and equipment	(890,587)	(287,133)	-	(1,177,720)
Automobiles and trucks	(481,465)	-	-	(481,465)
Infrastructure	(810,249)	(180,031)	-	(990,280)
TOTAL ACCUMULATED DEPRECIATION	(8,927,522)	(806,557)	-	(9,734,079)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 6,802,298	\$ 741,576	\$ -	\$ 7,543,874

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Discretely Presented Component Units

Capital asset activity for the Municipal Utility Authority for the year ended December 31, 2013, was as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and improvements	\$ 53,593,048	\$ 26,800	\$ -	\$ 53,619,848
Accumulated depreciation	<u>(33,513,459)</u>	<u>(1,153,904)</u>	<u>-</u>	<u>(34,667,363)</u>
 CAPITAL ASSETS BEING DEPRECIATED, net	 <u>\$ 20,079,589</u>	 <u>\$ (1,127,104)</u>	 <u>\$ -</u>	 <u>\$ 18,952,485</u>

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

GOVERNMENTAL ACTIVITIES		
Operating	\$ 145,291	
General government	494,188	
Police, health and public safety	902,273	
Roads	946,998	
Planning and code enforcement	<u>1,485</u>	
	 <u>\$ 2,490,235</u>	
 BUSINESS-TYPE ACTIVITIES		
Sewer	\$ 604,113	
General Authority	<u>202,444</u>	
	 <u>\$ 806,557</u>	

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F BONDED DEBT AND NOTES PAYABLE

Bonded debt and note payable of the primary government at December 31, 2013, are comprised of the following:

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%	\$ 7,095,000
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%	2,260,000
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%	4,430,000
General Obligation Bonds, Series of 2012, \$10,000,000 due in annual principal installments ranging from \$185,000 to \$695,000 through December 1, 2032, interest rate is variable from 1.00% to 4.00%	9,815,000
General Obligation Bonds, Series of 2013, \$6,405,000 due in annual principal installments ranging from \$75,000 to \$985,000 through December 1, 2023, interest rate is variable from 1.70% to 4.00%	6,400,000
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%	1,850,000
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>658,924</u>
	<u>\$ 32,508,924</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The annual requirements to amortize all debt outstanding of the primary government as of December 31, 2013, including interest payments, are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 3,577,794	\$ 792,735	\$ 600,000	\$ 46,555
2015	3,824,058	708,208	615,000	33,055
2016	3,935,343	593,324	635,000	14,605
2017	1,711,649	507,478	-	-
2018	1,772,976	444,101	-	-
2019 to 2023	8,447,104	1,654,318	-	-
2024 to 2028	4,460,000	879,735	-	-
2029 to 2032	2,930,000	229,896	-	-
	<u>\$ 30,658,924</u>	<u>\$ 5,809,795</u>	<u>\$ 1,850,000</u>	<u>\$ 94,215</u>

Bank loans and notes payable of the discretely presented component units at December 31, 2013, 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% \$ 5,245,000

Transportation Authority

Bank loan agreement with Pennsylvania Infrastructure Bank, \$3,500,000 due in annual principal installments ranging from \$325,178 to \$375,944 through August 29, 2022, interest payable at 1.625% \$ 3,174,822

The annual requirements to amortize all debt outstanding of the discretely presented component units as of December 31, 2013, including interest payments, are as follows:

Year Ending December 31,	Municipal Utility Authority		Transportation Authority	
	Principal	Interest	Principal	Interest
2014	\$ 1,705,000	\$ 131,997	\$ 330,463	\$ 51,591
2015	1,745,000	93,635	335,833	46,221
2016	1,795,000	41,285	341,178	40,875
2017	-	-	346,834	35,219
2018	-	-	352,470	29,583
2019 to 2022	-	-	1,468,044	60,170
	<u>\$ 5,245,000</u>	<u>\$ 266,917</u>	<u>\$ 3,174,822</u>	<u>\$ 263,659</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE G SETTLEMENTS PAYABLE

During 2004, the Township agreed to settle two outstanding lawsuits. During 2013, the final required payment, based on the agreement reached, was made by the Township.

During 2012, the Township agreed to settle an outstanding lawsuit with the Hankin Family Partnership (Hankin) and Realen Valley Forge Greenes Associates (Realen). Upon consideration of the agreement, Hankin received a lump sum payment of \$13,000,000, of which \$1,000,000 was paid by the Township and \$12,000,000 paid by Realen. The Township paid \$1,000,000 to Hankin in 2012. Of the \$12,000,000 settlement contribution due from Realen, the amount of \$3,409,070 is considered a prepayment against fees, taxes and other charges due to the Township that Realen will incur as it develops the property. Such fees, taxes and charges include the Township's share of transfer fees associated with the sale of any portion of the property, the Township's share of any business privilege tax, real estate tax, or other recurring tax the Township would otherwise receive from any buildings located on the property and one-half of each construction permit fee imposed by the Township in connection with issuance of permits for construction on the property. As any of the foregoing fees are paid by Realen, Realen shall be entitled to refunds until such time as the total refund equals \$3,409,070. To the extent a balance of unpaid settlement liability exists at each anniversary of Realen's payment of the settlement contribution, the then-unpaid balance of the settlement liability shall be increased by 5% without additional contribution from Realen. In 2013, the Township incurred \$170,453 of settlement liability due to the annual interest charge and refunded Realen a total of \$94,491 in various taxes and fees noted above. The outstanding balance at December 31, 2013, is \$3,545,032, none of which has been considered to be current as there are no specific repayment terms under the agreement.

Municipal Utility Authority

In addition to the above terms, the Municipal Utility Authority entered into a settlement agreement with Realen. Under the terms of the settlement agreement, the Authority waived its right to collect the last payment of \$1,473,740 that was due to be collected in 2013 against the remaining balance of the tapping fee for the initial reserved capacity, as defined in the Sewer Agreement between Realen and the Authority dated March 18, 2008, and the tapping fee for the initial reserved capacity shall be deemed paid in full. In addition, the Authority agreed to reserve and allocate to Realen an additional 47,000 gallons per day of capacity, in addition to the Initial Reserved Capacity, without charging Realen, which may be utilized by Realen for sewage collection, conveyance and treatment capacity at the property. This is considered to represent a current value of approximately \$1,117,190, and the tapping fee for such 47,000 gallons per day shall be deemed paid in full.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE H CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, 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 2009	\$ 6,225,000	\$ -	\$ (6,225,000)	\$ -	\$ -
Series A of 2009	9,355,000	-	(2,260,000)	7,095,000	2,305,000
Series of 2010	2,995,000	-	(735,000)	2,260,000	740,000
Series of 2011	4,605,000	-	(175,000)	4,430,000	195,000
Series of 2012	10,000,000	-	(185,000)	9,815,000	185,000
Series of 2013	-	6,405,000	(5,000)	6,400,000	75,000
Note payable	735,474	-	(76,550)	658,924	77,794
Deferred amounts					
Issuance discount	(54,993)	-	34,179	(20,814)	-
Issuance premium	134,155	327,988	(64,814)	397,329	-
TOTAL BONDS AND NOTE	<u>33,994,636</u>	<u>6,732,988</u>	<u>(9,692,185)</u>	<u>31,035,439</u>	<u>3,577,794</u>
Settlement payable	3,469,070	170,453	(94,491)	3,545,032	-
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 37,463,706</u>	<u>\$ 6,903,441</u>	<u>\$ (9,786,676)</u>	<u>\$ 34,580,471</u>	<u>\$ 3,577,794</u>
Business-type activities					
Note payable	\$ 2,440,000	\$ -	\$ (590,000)	\$ 1,850,000	\$ 600,000
Deferred amounts					
Issuance premium	74,911	-	(18,728)	56,183	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	<u>\$ 2,514,911</u>	<u>\$ -</u>	<u>\$ (608,728)</u>	<u>\$ 1,906,183</u>	<u>\$ 600,000</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

On January 3, 2013, the Township issued General Obligation Bonds, Series of 2013, in the amount of \$6,405,000 for the purpose of advance refunding the Township's General Obligation Bonds, Series of 2009, and to pay for the costs of issuing the 2013 Bonds. The new issue will decrease debt service payments for the Township by \$560,751 with an economic gain of \$418,383.

There were no compensated absences to be accrued as of December 31, 2013 and 2012.

	<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	\$ 6,915,000	\$ -	\$ (1,670,000)	\$ 5,245,000	\$ 1,705,000
Deferred amounts					
Issuance premium	<u>211,335</u>	<u>-</u>	<u>(52,834)</u>	<u>158,501</u>	<u>-</u>
TOTAL DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM LIABILITIES	<u>\$ 7,126,335</u>	<u>\$ -</u>	<u>\$ (1,722,834)</u>	<u>\$ 5,403,501</u>	<u>\$ 1,705,000</u>
Transportation Authority					
PA Infrastructure Bank Loan	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ (325,178)</u>	<u>\$ 3,174,822</u>	<u>\$ 330,463</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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, 2013, the Township has defeased debt outstanding of \$10,205,000.

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 2013 were \$471,218 (Township) and \$243,293 (employees). Total annual covered payroll for 2013 was \$7,961,600.

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.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

Plan Membership - Membership of the plan consisted of the following at January 1, 2013, the date of the latest actuarial valuation:

Active employees	53
Retirees and beneficiaries currently receiving benefits	44
Terminated employees entitled to benefits but not yet receiving them	<u>4</u>
TOTAL MEMBERSHIP	<u><u>101</u></u>

Funding Policy

Valuation date	January 1, 2013
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
Actuarial assumptions	
Investment rate of return.....	8%
Projected salary increases.....	5%
Inflation rate.....	3%
Contribution rates	
Municipal	15.96%
Plan members	4.00%

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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 Pension Obligation (NPO)</u>
2011	\$ 525,450	100%	N/A
2012	639,611	100%	N/A
2013	623,139	100%	N/A

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 97.1% funded. The actuarial accrued liability for benefits was \$46.5 million and the actuarial value of assets was \$45.2 million, resulting in an unfunded actuarial accrued asset (UAAL) of \$1.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.5 million, and the ratio of the UAAL to the covered payroll was (24.5%).

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 Position Available for Benefits - There are no investments that represent 5% or more of net position 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.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE L COMBINING SCHEDULES OF FIDUCIARY FUNDS

The following is a combining schedule of fiduciary net position for the Pension Trust Funds:

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Investments, at fair value			
Corporate bonds	\$ 11,893,771	\$ 564,024	\$ 12,457,795
Equity stocks and options	30,686,222	6,713,001	37,399,223
Money market funds	1,453,410	3,063,051	4,516,461
Mortgages	338,219	-	338,219
Mutual funds	<u>-</u>	<u>5,221,134</u>	<u>5,221,134</u>
TOTAL ASSETS	<u>\$ 44,371,622</u>	<u>\$ 15,561,210</u>	<u>\$ 59,932,832</u>
NET POSITION			
Assets held in trust for pension benefits	<u>\$ 44,371,622</u>	<u>\$ 15,561,210</u>	<u>\$ 59,932,832</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The following is a combining schedule of changes in fiduciary net position for the Pension Trust Funds:

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions			
Employer	\$ 203,628	\$ 20,633	\$ 224,261
Employee	216,883	243,293	460,176
Commonwealth	419,511	450,585	870,096
TOTAL CONTRIBUTIONS	<u>840,022</u>	<u>714,511</u>	<u>1,554,533</u>
Investment income			
Net appreciation in fair value of investments	6,342,238	2,543,638	8,885,876
Interest income	462,794	-	462,794
Dividend income	320,672	-	320,672
TOTAL INVESTMENT INCOME	<u>7,125,704</u>	<u>2,543,638</u>	<u>9,669,342</u>
Investment expenses	(217,075)	(498)	(217,573)
INVESTMENT INCOME, net	<u>6,908,629</u>	<u>2,543,140</u>	<u>9,451,769</u>
Other income			
Miscellaneous receipts	151	-	151
Loan repayments from members	-	18,165	18,165
TOTAL OTHER INCOME	<u>151</u>	<u>18,165</u>	<u>18,316</u>
TOTAL ADDITIONS	<u>7,748,802</u>	<u>3,275,816</u>	<u>11,024,618</u>
DEDUCTIONS			
Benefit payments	2,596,736	925,788	3,522,524
Administrative expenses	15,900	-	15,900
Refund of members' contributions	639	-	639
TOTAL DEDUCTIONS	<u>2,613,275</u>	<u>925,788</u>	<u>3,539,063</u>
CHANGE IN NET POSITION	5,135,527	2,350,028	7,485,555
NET POSITION AT BEGINNING OF YEAR	<u>39,236,095</u>	<u>13,211,182</u>	<u>52,447,277</u>
NET POSITION AT END OF YEAR	<u>\$ 44,371,622</u>	<u>\$ 15,561,210</u>	<u>\$ 59,932,832</u>

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE M 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.

NOTE N 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 O 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.

Commitments

The Township is in the process of designing a multi-use community center; however, the Township has yet to agree to any significant construction contracts at year-end.

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.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The estimated project costs and estimated maximum reimbursement from federal funds are as follows:

	<u>Totals</u>	<u>Share of Costs</u>						
		<u>Federal</u>			<u>State and County</u>		<u>Authority</u>	
TRANSPORTATION STUDY								
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%	
Multi-Use Trail Bridge Project 164046-A	450,000	450,000	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, 2013, were \$5,329,833.

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.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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</u> <u>December 31,</u>	
2014	\$ 646,555
2015	648,055
2016	<u>649,605</u>
	<u>\$ 1,944,215</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</u> <u>December 31,</u>	
2014	\$ 1,836,997
2015	1,838,635
2016	<u>1,836,285</u>
	<u>\$ 5,511,917</u>

NOTE P 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.

UPPER MERION TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE Q 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 R 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.

NOTE S SUBSEQUENT EVENTS

In March 2014, the Township issued General Obligation Bonds, Series of 2014, in the amount of \$10,000,000 for the purpose of providing funds for and toward various capital projects. The capital projects include a multi-use community center, recreation trails and various other capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER MERION TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Real estate taxes				
Current	\$ 4,364,974	\$ 4,364,974	\$ 4,134,138	\$ (230,836)
Prior	17,000	17,000	-	(17,000)
Delinquent	65,000	65,000	61,220	(3,780)
Delinquent 511 taxes	636,750	636,750	1,109,020	472,270
Real estate taxes, interim	28,000	28,000	51,107	23,107
Real estate transfer tax	700,000	700,000	1,138,085	438,085
Amusement tax	23,000	23,000	17,416	(5,584)
Local services tax	1,840,997	1,840,997	1,920,415	79,418
Mercantile tax	3,914,000	3,914,000	3,490,955	(423,045)
Utilities tax	25,000	25,000	25,162	162
Business privilege tax	6,140,000	6,140,000	6,085,791	(54,209)
Grants	2,452,429	2,452,429	2,979,813	527,384
Fines	357,838	357,838	353,869	(3,969)
Investment income	40,900	40,900	54,077	13,177
Permits and fees	2,726,500	2,726,500	2,862,450	135,950
Reimbursements	886,053	886,053	899,054	13,001
Parks and recreation	887,000	887,000	819,294	(67,706)
Miscellaneous	268,512	268,512	246,355	(22,157)
	<u>25,373,953</u>	<u>25,373,953</u>	<u>26,248,221</u>	<u>874,268</u>
TOTAL FORWARD				
EXPENDITURES				
Operating				
Library	1,846,732	1,846,732	1,797,057	49,675
Insurance	3,529,175	3,529,175	3,226,278	302,897
Payroll taxes	691,419	691,419	672,518	18,901
Engineering expenses	67,800	67,800	66,175	1,625
TOTAL OPERATING	<u>6,135,126</u>	<u>6,135,126</u>	<u>5,762,028</u>	<u>373,098</u>
General government				
Salaries	1,506,678	1,506,678	1,596,120	(89,442)
Office expenses and supplies	194,637	194,637	173,899	20,738
Capital outlay	10,750	10,750	8,991	1,759
Repairs and maintenance	47,070	47,070	43,118	3,952
Travel expenses and seminars	38,070	38,070	28,126	9,944
Professional fees	504,510	504,510	582,999	(78,489)
Utilities	14,642	14,642	12,150	2,492
General expenses	495,298	495,298	373,230	122,068
TOTAL GENERAL GOVERNMENT	<u>2,811,655</u>	<u>2,811,655</u>	<u>2,818,633</u>	<u>(6,978)</u>
SUBTOTAL FORWARD	<u>\$ 8,946,781</u>	<u>\$ 8,946,781</u>	<u>\$ 8,580,661</u>	<u>\$ 366,120</u>

Continued on next page.

UPPER MERION TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
SUBTOTAL FORWARDED	\$ 8,946,781	\$ 8,946,781	\$ 8,580,661	\$ 366,120
Police, health and public safety				
Salaries	7,595,772	7,595,772	7,898,562	(302,790)
Materials and supplies	359,690	356,690	307,503	49,187
Repairs and maintenance	669,426	672,426	610,312	62,114
Fire expenses	980,678	980,678	970,420	10,258
Capital outlay	25,763	25,763	23,806	1,957
Utilities	97,060	97,060	94,357	2,703
Miscellaneous expenses	73,826	73,826	65,949	7,877
TOTAL POLICE, HEALTH AND PUBLIC SAFETY	<u>9,802,215</u>	<u>9,802,215</u>	<u>9,970,909</u>	<u>(168,694)</u>
Roads and parks				
Roads				
Salaries	124,705	124,705	99,552	25,153
Materials and supplies	104,850	104,850	111,914	(7,064)
Repairs and maintenance	1,173,582	1,191,582	1,169,695	21,887
General expenses	140,308	164,308	110,335	53,973
Street lighting	81,950	82,950	77,658	5,292
Snow removal	205,000	162,000	145,504	16,496
New tools and machinery	16,645	16,645	14,080	2,565
TOTAL ROADS	<u>1,847,040</u>	<u>1,847,040</u>	<u>1,728,738</u>	<u>118,302</u>
Parks				
Salaries	612,022	612,022	514,890	97,132
Materials and supplies	120,425	120,425	123,597	(3,172)
Repairs and maintenance	66,284	66,284	61,637	4,647
General administrative	183,400	183,400	177,657	5,743
Recreation expenses	1,627,942	1,627,942	1,428,568	199,374
Capital outlay	26,351	26,351	26,659	(308)
TOTAL PARKS	<u>2,636,424</u>	<u>2,636,424</u>	<u>2,333,008</u>	<u>303,416</u>
TOTAL ROADS AND PARKS	<u>4,483,464</u>	<u>4,483,464</u>	<u>4,061,746</u>	<u>421,718</u>
Police and employee pension cost				
Employee pension cost	327,357	327,357	336,970	(9,613)
Foreign Casualty Insurance Tax Grant				
Police pension cost	539,994	539,994	760,455	(220,461)
Employee pension cost	65,591	65,591	61,759	3,832
TOTAL POLICE AND EMPLOYEE PENSION COST	<u>932,942</u>	<u>932,942</u>	<u>1,159,184</u>	<u>(226,242)</u>
Planning and code enforcement				
Salaries	952,314	960,314	959,494	820
Materials and supplies	28,850	28,850	20,382	8,468
Repairs and maintenance	140,337	140,337	114,051	26,286
General administrative	45,791	37,791	34,109	3,682
TOTAL PLANNING AND CODE ENFORCEMENT	<u>1,167,292</u>	<u>1,167,292</u>	<u>1,128,036</u>	<u>39,256</u>
TOTAL FORWARD	\$ <u>25,332,694</u>	\$ <u>25,332,694</u>	\$ <u>24,900,536</u>	\$ <u>432,158</u>

Continued on next page.

UPPER MERION TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
TOTAL FORWARDED	\$ 25,373,953	\$ 25,373,953	\$ 26,248,221	\$ 874,268
EXPENDITURES				
TOTAL FORWARDED	<u>25,332,694</u>	<u>25,332,694</u>	<u>24,900,536</u>	<u>432,158</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>41,259</u>	<u>41,259</u>	<u>1,347,685</u>	<u>1,306,426</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	56,848	56,848
Interfund transfers in	104,000	104,000	230,044	126,044
Interfund transfers out	<u>(1,511,898)</u>	<u>(1,511,898)</u>	<u>(1,259,153)</u>	<u>252,745</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,407,898)</u>	<u>(1,407,898)</u>	<u>(972,261)</u>	<u>435,637</u>
NET CHANGE IN FUND BALANCE	(1,366,639)	(1,366,639)	375,424	1,742,063
FUND BALANCE AT BEGINNING OF YEAR	<u>14,541,982</u>	<u>14,541,982</u>	<u>14,541,982</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 13,175,343</u>	<u>\$ 13,175,343</u>	<u>\$ 14,917,406</u>	<u>\$ 1,742,063</u>

See accompanying notes to the budgetary comparison schedule.

UPPER MERION TOWNSHIP
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2013

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 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
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2013

NOTE C EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2013, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

GENERAL GOVERNMENT		
Salaries	\$	89,442
Professional fees		78,489
POLICE, HEALTH AND PUBLIC SAFETY		
Salaries	\$	302,790
ROADS AND PARKS		
Roads		
Materials and supplies	\$	7,064
Parks		
Materials and supplies	\$	3,172
Capital outlay		308
POLICE AND EMPLOYEE PENSION COST		
Employee pension cost	\$	9,613
Police pension cost		220,461

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, 2013

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>
2009	6.82
2010	6.87
2011	5.91
2012	4.90
2013	5.60

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

	<u>Budget</u>	<u>Actual</u>
2009	\$ 592,300	\$ 382,911
2010	571,840	-
2011	540,160	2,625
2012	1,552,668	102,072
2013	759,202	1,507,508

The Township had fallen below its street condition policy as of December 31, 2012. Due to tough economic times and reduced available revenues, street resurfacing projects were eliminated from past years' budgets. For 2012, the Township budgeted approximately \$1.5M for street resurfacing in order to bring the maintenance level back up to required condition level. During 2012, the Township hired a consulting engineer to assess the Township's street and road condition. A detailed report was prepared to determine what levels of maintenance were necessary. Bidding for the resurfacing projects was completed and awarded. Weather conditions hampered paving progress and the program was carried into 2013. As of December 31, 2013, the paving program for 2012 was completed as well as the program for 2013. These programs have raised the condition level to a condition that is still below policy, but shows an increased commitment by the Township to bring the program back as long as economic conditions allow the Township to do so.

UPPER MERION TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

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)
2009	\$ 37,455,129	\$ 35,792,022	\$ 1,663,107	104.6%	\$ 5,163,019	32.2%
2011	41,972,975	41,337,668	635,307	101.5%	5,214,132	12.2%
2013	45,159,194	46,496,128	(1,336,934)	97.1%	5,450,777	-24.5%

Determination of contribution requirements:

EmployerActuarially determined 15.96% of covered payroll
 Plan members4.00%

SUPPLEMENTARY INFORMATION SECTION

UPPER MERION TOWNSHIP
DESCRIPTION OF FUNDS
Year Ended December 31, 2013

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, 2013

ASSETS

Cash	\$	4,818
Investments		311,081
Taxes receivable, net		<u>29,003</u>

TOTAL ASSETS	\$	<u><u>344,902</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds	\$	4,668
Accounts payable		32,441
Accrued salaries and benefits		37,986
Deferred revenue		<u>25,065</u>

TOTAL LIABILITIES		100,160
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FUND BALANCE

Unreserved		<u>244,742</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>344,902</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, 2013

REVENUES		
Taxes		\$ 1,632,410
Grants		88,646
Fines and fees		44,855
Investment income		<u>1,014</u>
	TOTAL REVENUES	<u>1,766,925</u>
EXPENDITURES		
Direct		
Salaries and wages		985,548
Books, periodicals and audio visual		212,417
Maintenance		290,006
Utilities		36,365
Telephone		1,655
Travel		1,425
Supplies		36,618
Advertising		5,662
Equipment rental		4,177
Other		<u>10,449</u>
	TOTAL DIRECT	<u>1,584,322</u>
Indirect		
Payroll taxes and benefits		<u>249,824</u>
	TOTAL EXPENDITURES	<u>1,834,146</u>
	DEFICIENCY OF REVENUES OVER EXPENDITURES	(67,221)
OTHER FINANCING SOURCES		
Interfund transfers in		<u>5,600</u>
	NET CHANGE IN FUND BALANCE	(61,621)
	FUND BALANCE AT BEGINNING OF YEAR	<u>306,363</u>
	FUND BALANCE AT END OF YEAR	<u><u>\$ 244,742</u></u>

UPPER MERION TOWNSHIP
DESCRIPTION OF FUNDS
OTHER GOVERNMENTAL FUNDS
Year Ended December 31, 2013

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 for charitable and educational purposes as defined in Section 501 (c)(3) of the Internal Revenue Code. The purpose is to secure resources from individuals, corporations, community organizations and foundations to be distributed to support programs for the benefit of the citizens of Upper Merion Township.

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 .155 mill tax on Township real estate. These revenues are used to fund capital projects.

Park Capital Fund

The revenues of this fund were generated from a .055 mill tax on Township real estate in prior years. These revenues are used to fund capital projects.

UPPER MERION TOWNSHIP
DESCRIPTION OF FUNDS
OTHER GOVERNMENTAL FUNDS
Year Ended December 31, 2013

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, 2013

	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	
ASSETS								
Investments	\$ 640,572	\$ 152,560	\$ 885,079	\$ -	\$ 506,872	\$ 270,740	\$ 89,277	\$ 2,545,100
Taxes receivable, net	-	-	11,714	-	7,653	2,701	5,426	27,494
TOTAL ASSETS	<u>\$ 640,572</u>	<u>\$ 152,560</u>	<u>\$ 896,793</u>	<u>\$ -</u>	<u>\$ 514,525</u>	<u>\$ 273,441</u>	<u>\$ 94,703</u>	<u>\$ 2,572,594</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES								
Due to other funds	\$ -	\$ 847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847
Accounts payable	-	141,380	19	-	14	5	9	141,427
TOTAL LIABILITIES	<u>-</u>	<u>142,227</u>	<u>19</u>	<u>-</u>	<u>14</u>	<u>5</u>	<u>9</u>	<u>142,274</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue, property taxes	-	-	10,124	-	7,653	2,701	4,689	25,167
FUND BALANCES								
Restricted for								
Debt service	-	-	886,650	-	506,858	270,735	-	1,664,243
Liquid fuels	640,572	-	-	-	-	-	-	640,572
Assigned to capital projects	-	10,333	-	-	-	-	90,005	100,338
TOTAL FUND BALANCES	<u>640,572</u>	<u>10,333</u>	<u>886,650</u>	<u>-</u>	<u>506,858</u>	<u>270,735</u>	<u>90,005</u>	<u>2,405,153</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 640,572</u>	<u>\$ 152,560</u>	<u>\$ 896,793</u>	<u>\$ -</u>	<u>\$ 514,525</u>	<u>\$ 273,441</u>	<u>\$ 94,703</u>	<u>\$ 2,572,594</u>

UPPER MERION TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended December 31, 2013

	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	
REVENUES								
Taxes	\$ 544,141	\$ -	\$ 659,707	\$ -	\$ 491,759	\$ 174,462	\$ 304,913	\$ 2,174,982
Investment income	627	-	552	-	228	102	64	1,573
Miscellaneous	-	-	-	163,354	-	-	-	163,354
TOTAL REVENUES	544,768	-	660,259	163,354	491,987	174,564	304,977	2,339,909
EXPENDITURES								
Current								
Operating	-	-	648,355	-	-	-	-	648,355
Roads	1,535,615	-	-	-	-	-	-	1,535,615
Debt service								
Interest	-	-	-	385,674	-	-	228,581	614,255
Principal	-	-	-	1,001,550	-	-	175,000	1,176,550
TOTAL EXPENDITURES	1,535,615	-	648,355	1,387,224	-	-	403,581	3,974,775
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(990,847)	-	11,904	(1,223,870)	491,987	174,564	(98,604)	(1,634,866)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	1,223,870	-	-	-	1,223,870
Transfers out	-	-	-	-	(322,591)	(31,746)	-	(354,337)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	1,223,870	(322,591)	(31,746)	-	869,533
NET CHANGE IN FUND BALANCES	(990,847)	-	11,904	-	169,396	142,818	(98,604)	(765,333)
FUND BALANCES AT BEGINNING OF YEAR	1,631,419	10,333	874,746	-	337,462	127,917	188,609	3,170,486
FUND BALANCES AT END OF YEAR	\$ 640,572	\$ 10,333	\$ 886,650	\$ -	\$ 506,858	\$ 270,735	\$ 90,005	\$ 2,405,153

UPPER MERION TOWNSHIP

DESCRIPTION OF FUND

AGENCY FUND

Year Ended December 31, 2013

The Agency Fund is used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

UPPER MERION TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
December 31, 2013

	Agency Escrow Fund			
	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
ASSETS				
Cash and cash equivalents	\$ <u>694,479</u>	\$ <u>411,730</u>	\$ <u>(122,567)</u>	\$ <u>983,642</u>
LIABILITIES				
Other current liabilities	\$ <u>694,479</u>	\$ <u>411,730</u>	\$ <u>(122,567)</u>	\$ <u>983,642</u>

See accompanying notes to the basic financial statements.

UPPER MERION TOWNSHIP
SCHEDULE OF REAL ESTATE TAXES AND
DISTRICT JUSTICE FINES
Year Ended December 31, 2013

	<u>Assessed Valuation</u>	<u>Tax Levy at 2.159 Mills</u>
REAL ESTATE TAXES		
Original assessment	\$ 2,923,770,293	\$ 6,312,420
Adjustments	<u>(117,647)</u>	<u>(254)</u>
ADJUSTED ORIGINAL ASSESSMENT	<u>\$ 2,923,652,646</u>	<u>6,312,166</u>
Cash collected		6,124,952
Discounts allowed		116,979
Penalties collected		<u>(7,750)</u>
FACE AMOUNT OF 2013 TAXES		<u>6,234,181</u>
2013 TAXES NOT COLLECTED AT JANUARY 15, 2014		<u>\$ 77,985</u>
TOTAL OF LIEN LIST FILED WITH MONTGOMERY COUNTY ON JANUARY 15, 2014		<u>\$ 77,985</u>
	<u>District Justice Gallagher</u>	<u>District Justice Maruszcak</u>
DISTRICT JUSTICE FINES		
Fines remitted to Upper Merion Township	<u>\$ 41,307</u>	<u>\$ 85,913</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>
Financial Trends These tables contain trend information that may assist the reader in assessing the Township's current financial performance by placing it in historical perspective.	1 - 6
Revenue Capacity 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.	7 - 12
Debt Capacity 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.	13 - 17
Economic and Demographic Information 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.	18 - 19
Operating Information 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.	20 - 22

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 Position By Category (1)

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities										
Net investment in capital assets	\$38,990	\$40,884	\$38,286	37,680	40,302	26,870	28,838	\$30,841	\$15,644	\$34,012
Restricted	0	0	0	0	0	0	0	5,932	6,563	6,181
Unrestricted	<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>32,346</u>	<u>42,193</u>	<u>23,146</u>
Total governmental activities net position	<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>	<u>\$64,400</u>	<u>\$63,339</u>
Business-Type Activities										
Net investment in capital assets	\$2,026	\$2,013	\$2,322	\$2,578	\$3,194	\$2,971	\$2,952	\$3,167	\$4,396	\$5,718
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	<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>	<u>10,161</u>	<u>11,104</u>
Total business-type activities net position	<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>	<u>\$14,557</u>	<u>\$16,822</u>
Primary Government										
Net investment in capital assets	\$41,016	\$42,897	\$40,608	\$40,257	\$43,495	\$29,842	\$31,791	\$34,008	\$20,040	\$39,730
Restricted	0	0	0	0	0	0	0	\$5,932	\$6,563	\$6,181
Unrestricted	<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>42,406</u>	<u>52,354</u>	<u>34,250</u>
Total primary government net position	<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>	<u>\$78,957</u>	<u>\$80,161</u>

Notes:

- (1) Accounting standards require that net position is 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)

Expenses	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
Operating	\$6,220	\$6,118	\$6,648	\$6,912	\$6,206	\$6,139	\$6,022	\$6,247	\$6,389	\$6,583
General government	2,479	2,625	2,675	2,585	2,980	2,882	2,728	2,805	7,831	3,423
Police, health and public safety	7,970	8,367	8,790	8,914	9,718	9,452	10,074	10,861	10,921	10,920
Roads	2,422	2,805	2,949	3,278	3,527	3,205	2,901	2,879	2,855	4,223
Parks	2,230	2,325	2,560	2,451	2,705	2,340	2,164	2,295	2,564	2,344
Police and employee pension cost	641	729	773	817	855	909	916	1,034	998	1,159
Planning and code enforcement	945	1,020	1,085	1,163	1,209	1,155	1,084	1,244	1,124	1,134
Interest on long-term debt	515	680	645	719	704	675	555	511	712	669
Total governmental activities expenses	<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>	<u>33,394</u>	<u>30,455</u>
Business-type activities:										
Sewer	4,966	4,934	5,022	5,106	5,029	5,250	5,204	5,432	5,306	5,530
General Authority (3)	<u>0</u>	<u>291</u>	<u>269</u>							
Total business-type activities expenses	<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>	<u>5,597</u>	<u>5,799</u>
Total primary government expenses	<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>	<u>\$38,991</u>	<u>\$36,254</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Operating	\$2,154	\$2,454	\$2,868	\$2,708	\$2,815	\$2,281	\$3,011	\$3,970	\$3,274	\$3,216
Police, health and public safety	597	557	551	595	526	583	507	589	506	619
Parks/Roads	852	890	899	928	969	878	752	798	896	854
Operating grants and contributions	1,603	1,454	2,230	2,220	2,139	2,053	2,366	4,208	3,124	3,869
Capital grants and contributions	<u>110</u>	<u>0</u>	<u>655</u>							
Total governmental activities program revenues	<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>	<u>7,800</u>	<u>9,213</u>
Business-type activities:										
Charges for services:										
Sewer	4,953	5,391	5,834	5,172	5,445	5,709	5,742	5,658	6,050	6,444
General Authority (3)	0	0	0	0	0	0	0	0	652	648
Operating grants and contributions	0	0	92	0	0	0	0	0	0	333
Capital grants and contributions	<u>0</u>									
Total business-type activities program revenues	<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>	<u>6,702</u>	<u>7,425</u>
Total primary government program revenues	<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>	<u>\$14,502</u>	<u>\$16,638</u>
Net (expense)/revenue (1)										
Governmental Activities	(\$18,106)	(\$19,314)	(\$19,577)	(\$20,388)	(\$21,455)	(\$20,962)	(\$19,808)	(\$18,311)	(\$25,594)	(\$21,242)
Business-type activities	<u>(13)</u>	<u>457</u>	<u>904</u>	<u>66</u>	<u>416</u>	<u>459</u>	<u>538</u>	<u>226</u>	<u>1,105</u>	<u>1,626</u>
Total primary government net expense	<u>(\$18,119)</u>	<u>(\$18,857)</u>	<u>(\$18,673)</u>	<u>(\$20,322)</u>	<u>(\$21,039)</u>	<u>(\$20,503)</u>	<u>(\$19,270)</u>	<u>(\$18,085)</u>	<u>(\$24,489)</u>	<u>(\$19,616)</u>

General Revenues and Other Changes in Net Assets	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
Taxes (2)										
Property taxes	\$6,003	\$6,940	\$6,027	\$6,224	\$6,225	\$6,241	\$6,301	\$5,941	\$6,047	\$5,900
Amusement, emerg. & mun. svc., opt., mercantile, business privilege, transfer and utilities taxes	9,938	11,267	14,200	16,110	13,394	12,168	11,910	12,444	13,743	14,096
Investment income	374	788	1,280	1,579	888	340	140	63	62	79
Contributions	170	83	90	979	49	61	50	54	40	3
Miscellaneous	792	816	818	809	824	964	812	918	889	691
Gain on sale of capital assets	0	0	50	25	65	23	127	162	0	35
Loss on disposal of assets	(311)	0	0	0	0	0	0	0	(45)	0
Transfers	425	218	342	244	427	560	222	500	431	(624)
Settlement Expense	<u>(1,150)</u>	<u>0</u>								
Total governmental activities	<u>16,241</u>	<u>20,112</u>	<u>22,807</u>	<u>25,970</u>	<u>21,872</u>	<u>20,357</u>	<u>19,562</u>	<u>20,082</u>	<u>21,167</u>	<u>20,180</u>
Business-type activities:										
Investment income	115	269	446	458	255	105	45	16	14	15
Transfers	<u>(425)</u>	<u>(218)</u>	<u>(342)</u>	<u>(244)</u>	<u>(426)</u>	<u>(560)</u>	<u>(222)</u>	<u>(500)</u>	<u>(431)</u>	<u>624</u>
Total business-type activities	<u>(310)</u>	<u>51</u>	<u>104</u>	<u>214</u>	<u>(171)</u>	<u>(455)</u>	<u>(177)</u>	<u>(484)</u>	<u>(417)</u>	<u>639</u>
Total primary government	<u>\$15,931</u>	<u>\$20,163</u>	<u>\$22,911</u>	<u>\$26,184</u>	<u>\$21,701</u>	<u>\$19,902</u>	<u>\$19,385</u>	<u>\$19,598</u>	<u>\$20,750</u>	<u>\$20,819</u>
Change in Net Assets										
Governmental activities	(\$1,865)	\$798	\$3,230	\$5,582	\$417	(\$605)	(\$246)	\$1,771	(\$4,427)	(\$1,062)
Business-type activities	<u>(323)</u>	<u>508</u>	<u>1,008</u>	<u>280</u>	<u>245</u>	<u>4</u>	<u>361</u>	<u>(258)</u>	<u>688</u>	<u>2,265</u>
Total primary government	<u>(\$2,188)</u>	<u>\$1,306</u>	<u>\$4,238</u>	<u>\$5,862</u>	<u>\$662</u>	<u>(\$601)</u>	<u>\$115</u>	<u>\$1,513</u>	<u>(\$3,739)</u>	<u>\$1,203</u>

Notes:

(1) 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.

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

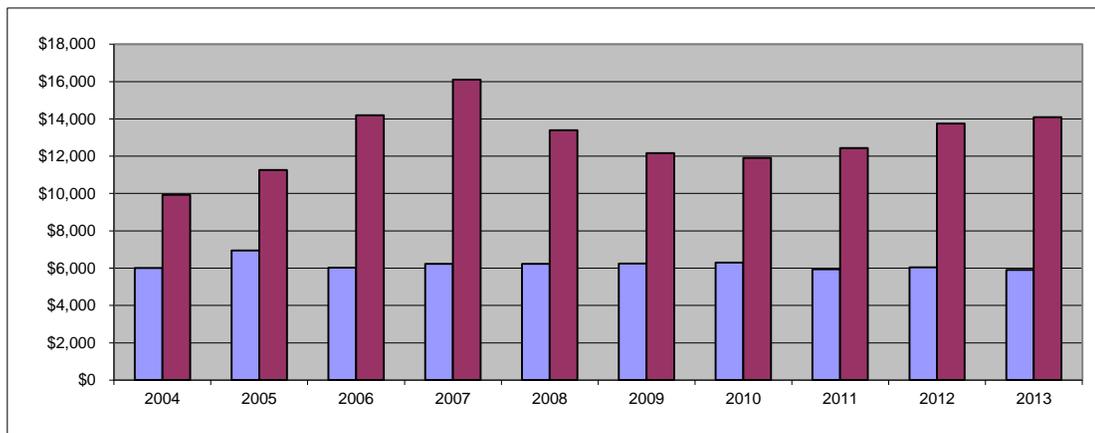
(3) Change in presentation in 2012. Upper Merion General Authority blended into the Township Financial Statements as a business-type activity. Prior years presentation was as a component unit.

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>
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
2012	6,047	13,753	19,800
2013	5,900	14,095	19,995



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.

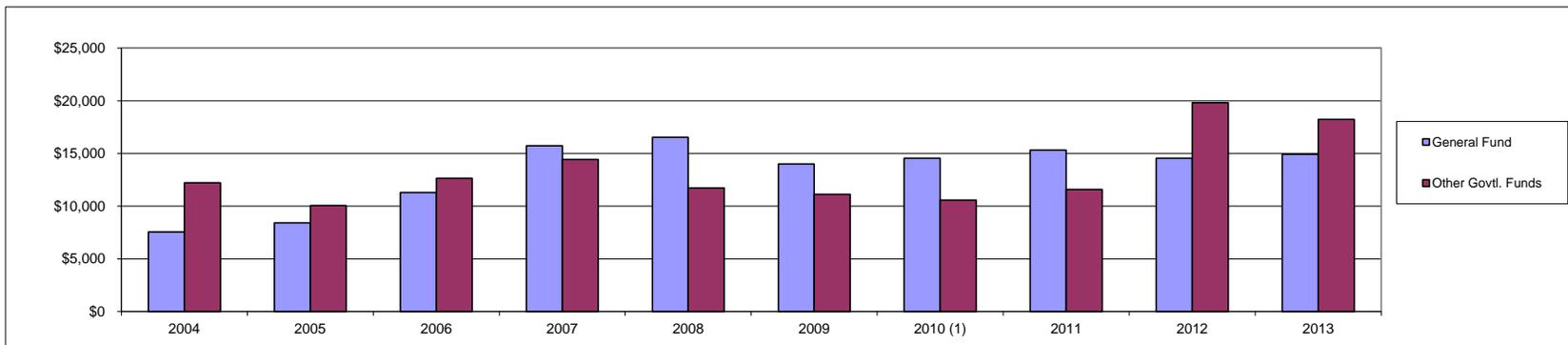
UPPER MERION TOWNSHIP

TABLE 4

Fund Balances of Governmental Funds Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts in thousands)

	<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>	<u>2012</u>	<u>2013</u>
General Fund										
Reserved	\$4,208	\$4,713	\$7,451	\$9,301	\$10,607	\$8,842	\$0	\$0	\$0	\$0
Unreserved	3,356	3,692	3,861	6,420	5,939	5,156	0	0	0	0
Non spendable	0	0	0	0	0	0	\$302	\$326	\$27	\$36
Committed	0	0	0	0	0	0	2,000	2,000	2,000	2,000
Assigned	0	0	0	0	0	0	6,689	7,773	6,800	7,121
Unassigned	0	0	0	0	0	0	<u>5,557</u>	<u>5,220</u>	<u>5,715</u>	<u>5,760</u>
Total general fund	<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>	<u>\$14,542</u>	<u>\$14,917</u>
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	4,329	4,785	4,284	4,208	3,991	3,782	0	0	0	0
General obligation fund	841	1,055	1,758	1,569	1,549	2,096	0	0	0	0
Capital acquisition fund	7,041	4,221	6,611	8,660	6,184	5,238	0	0	0	0
Non spendable, reported in:										
Other governmental funds	0	0	0	0	0	0	199	95	89	0
Restricted, reported in:										
Fire apparatus fund	0	0	0	0	0	0	0	0	0	3,965
General obligation fund	0	0	0	0	0	0	483	436	8,585	7,356
Other governmental funds	0	0	0	0	0	0	5,450	5,932	6,564	2,306
Assigned, reported in:										
Capital acquisition fund	0	0	0	0	0	0	4,311	4,995	4,394	4,498
Other governmental funds	0	0	0	0	0	0	<u>150</u>	<u>133</u>	<u>198</u>	<u>100</u>
Total all other governmental funds	<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>	<u>\$19,830</u>	<u>\$18,225</u>
Total Fund Balances	\$19,775	\$18,466	\$23,965	\$30,158	\$28,270	\$25,114	\$25,141	\$26,910	\$34,372	\$33,142



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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Taxes	\$15,946	\$18,233	\$20,723	\$22,833	\$20,164	\$18,943	\$18,775	\$19,173	\$20,377	\$20,516
Grants	1,603	1,453	1,741	1,714	1,575	1,514	1,844	3,680	2,566	3,325
Fines	359	387	415	426	367	332	325	330	330	354
Investment income	374	786	1,280	1,580	888	340	140	63	62	79
Permits and fees	1,795	2,068	2,453	2,282	2,448	1,948	2,686	3,640	2,944	2,862
Reimbursements	808	814	834	897	806	992	838	963	827	912
Parks and recreation	852	890	899	917	877	782	690	778	809	820
Contributions	170	83	90	85	143	135	93	76	128	25
Miscellaneous	584	596	482	508	547	575	503	545	569	411
Total revenues	<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>	<u>28,612</u>	<u>29,304</u>
Expenditures										
Operating	5,425	5,235	5,790	5,975	5,804	5,946	5,801	6,000	6,161	6,410
General government	2,149	2,376	2,446	2,205	2,415	2,503	2,303	2,366	3,899	2,820
Police, health, and public safety	7,302	7,505	7,862	8,060	8,362	8,660	9,061	9,670	9,891	9,970
Roads	1,839	2,045	2,005	2,306	2,389	2,175	1,865	1,832	1,853	3,265
Parks	2,199	2,265	2,499	2,413	2,551	2,354	2,138	2,240	2,398	2,333
Police and employee pension cost	640	729	773	817	855	908	916	1,034	998	1,160
Planning and code enforcement	914	974	1,036	1,119	1,120	1,149	1,059	1,208	1,109	1,125
Refund of Prior Year Revenues	0	0	0	0	0	0	0	282	43	0
Debt service										
Interest	494	610	545	721	700	662	206	517	617	620
Principal	880	717	673	692	867	864	140	795	955	1,178
Bond issue costs	131	74	101	0	0	82	65	74	110	93
Capital outlay	<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>	<u>3,669</u>	<u>1,090</u>
Total expenditures	<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>	<u>31,703</u>	<u>30,064</u>
Excess of revenues over (under) expenditures	(5,922)	(1,780)	45	4,965	(2,390)	(3,878)	425	220	(3,091)	(760)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Other financing sources (uses)										
Refund of Prior Year Revenues	0	(36)	0	0	0	0	0	0	0	0
Transfers in	7,063	7,825	5,117	5,267	5,642	6,354	2,046	2,884	3,954	3,324
Transfers out	(6,638)	(7,607)	(4,774)	(4,064)	(5,215)	(5,794)	(2,722)	(2,384)	(3,523)	(3,949)
General obligation bonds issued (proceeds)	6,500	7,105	5,000	0	0	15,800	4,155	0	0	0
General obligation bonds refunded	0	(6,815)	0	0	0	6,590	0	0	0	0
Sale of capital assets	0	0	109	25	65	58	203	162	44	57
Settlement expense	(310)	0	0	0	0	0	0	0	0	0
Debt service principal	0	0	0	0	0	(6,460)	(4,290)	0	0	0
Bond issuance	0	0	0	0	0	0	0	0	10,000	0
Payment to authorities	0	0	0	0	0	(15,783)	0	0	0	0
Bond discount	0	0	0	0	0	(43)	211	(1)	(22)	0
Note Issuance	0	0	0	0	0	0	0	810	0	0
Issuance of refunding bonds	0	0	0	0	0	0	0	4,610	0	6,405
Bond premium	0	0	0	0	0	0	0	0	0	328
Payment to refunded bond escrow agent	0	0	0	0	0	0	0	(4,532)	0	(6,635)
Total other financing sources (uses)	6,615	472	5,452	1,228	492	722	(397)	1,549	10,453	(470)
Net change in fund balances	<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>	<u>\$7,362</u>	<u>(\$1,230)</u>
Debt service as a percentage of total non-capital expenditures	6.3%	5.9%	5.1%	5.8%	6.3%	6.0%	1.5%	5.0%	5.6%	6.2%

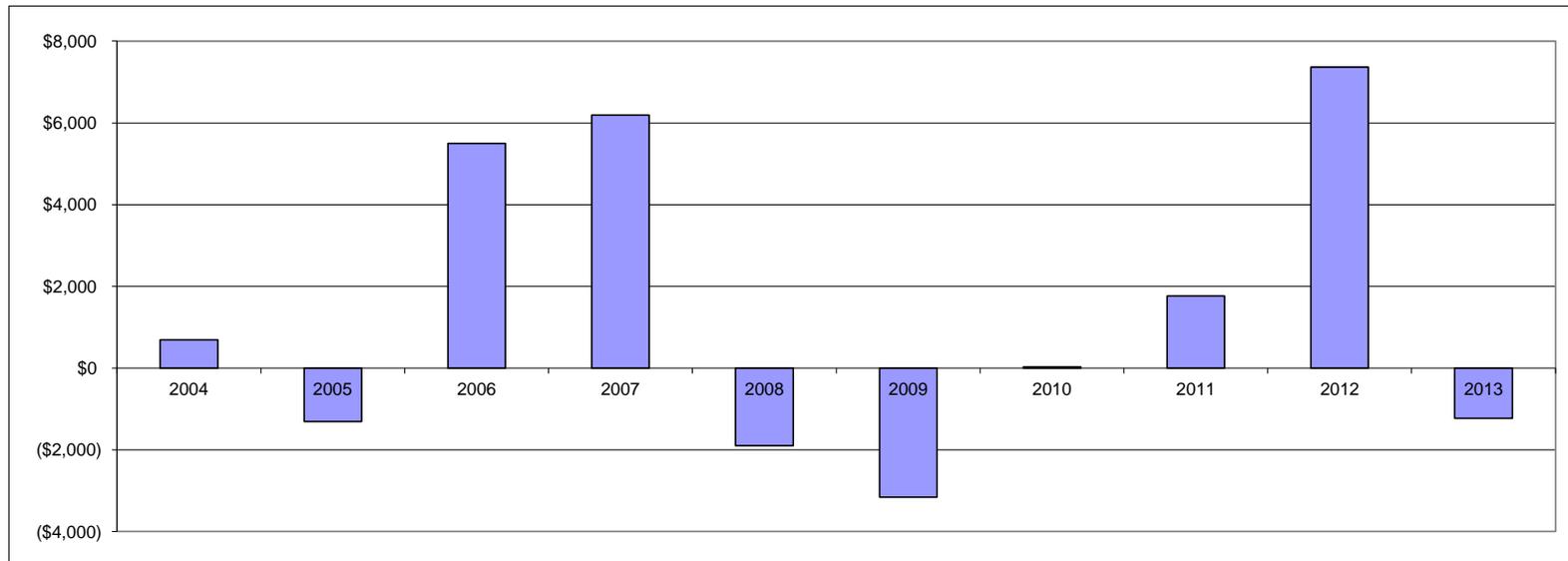
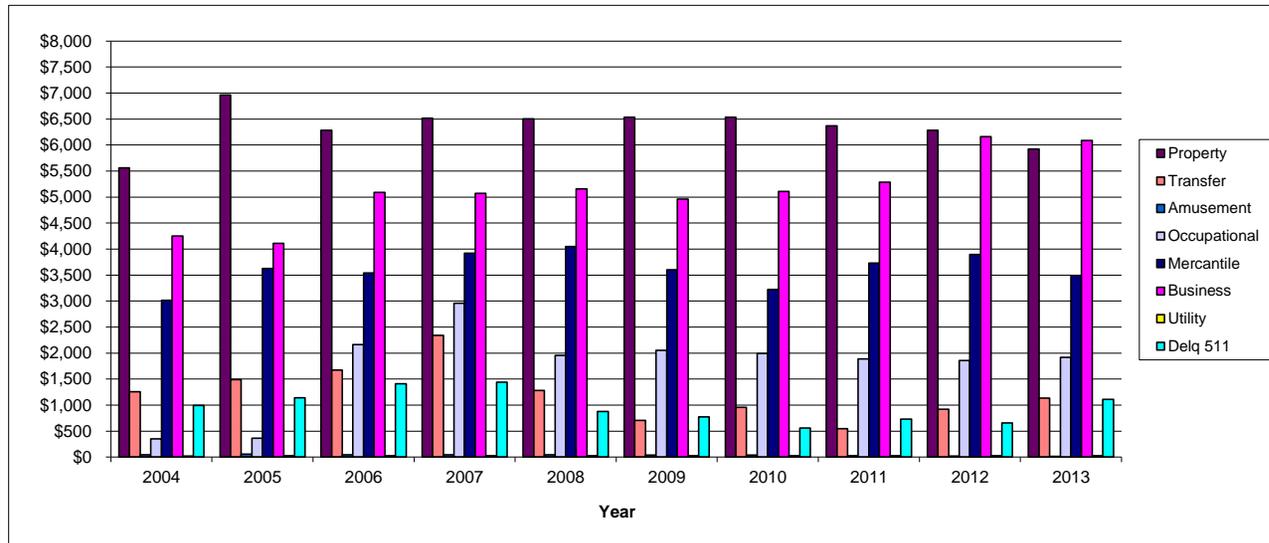


TABLE 6

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

Fiscal Year	Property Tax (1),(3),(4),(6)	Transfer Tax	Amusement Tax	Local Svc. Tax (5)	Mercantile Tax	Business Privilege Tax	Utility Tax	Delinquent Act 511 Taxes (2)	Total
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
2012	6,281	920	20	1,860	3,895	6,159	25	657	19,817
2013	5,925	1,138	17	1,920	3,491	6,086	25	1,109	19,711



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) 2004-2005 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.

UPPER MERION TOWNSHIP
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended 12/31	Residential Property	Vacant Property	Industrial Property	Commercial Property	Institutional Property	Utility Property	Government Property	Less: Tax Exempt Property	Total Taxable Assessed Value (1)	Total Direct Tax Millage Rate	Estimated Actual Taxable Value (2)	Assessed Value as a Percentage of Actual Value
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%
2012	1,532,446,371	23,941,781	255,112,344	1,577,309,316	68,725,240	17,012,090	120,655,831	198,229,511	3,396,973,462	2.159	5,469,127,274	62.11%
2013	1,532,807,295	24,299,131	215,230,905	1,658,916,752	71,368,600	17,012,090	123,378,921	203,188,471	3,439,825,223	2.159	5,620,674,414	61.20%

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 Millage	School District Millage	
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
2012	1.255	0.508	0.096	0.000	0.000	0.205	0.095	2.159	3.152	17.490	22.801
2013	1.255	0.508	0.096	0.000	0.000	0.205	0.095	2.159	3.152	17.990	23.301

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

TABLE 9

UPPER MERION TOWNSHIP

**Principal Property Taxpayers
December 31, 2013 and December 31, 2004**

			December 31, 2013	
<u>Taxpayer</u>	<u>Real Property Assessed Valuation</u>		<u>Percentage of Total Assessed Valuation</u>	
1 King of Prussia Associates(Simon)	\$246,705,310	Commercial Real Estate-160 N Gulph Rd	7.17%	
2 King of Prussia Associates	63,411,075	Commercial Real Estate-690 W Dekalb Pk	1.84%	
3 LMC Properties Inc.	38,315,370	Commercial Real Estate-720 Arnold Rd	1.11%	
4 Brandywine Operating Partners	32,591,450	Commercial Real Estate-600 N Gulph Rd	0.95%	
5 Executive Offices & Suites LP (V.F. Suites)	31,522,690	Residential Real Estate-550-700 American Ave	0.92%	
6 KBF Assoc. L.P. (Kingswood Apts)	31,312,020	Residential Real Estate-600 S Gulph Rd	0.91%	
7 Smithkline Beckman Corporation	29,265,610	Commercial Real Estate-Swedeland Rd	0.85%	
8 PS Court Associates LP	28,000,000	Commercial Real Estate-640 W Dekalb Pk	0.81%	
9 JEG Assoc. (Valley View Apts)	26,770,000	Residential Real Estate-251 W Dekalb Pk	0.78%	
10 Liberty Property L.P.	24,785,290	Commercial Real Estate-2301 Renaissance	0.72%	
	<u>\$552,678,815</u>		<u>16.07%</u>	
 Total Assessed Valuation	 <u>\$3,439,825,223</u>			

			December 31, 2004	
<u>Taxpayer</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-160 N Gulph Rd	7.04%	
2 Smithkline Becham	106,380,000	Commercial Real Estate-Swedeland Rd	3.00%	
3 Robert Segal	63,411,075	Commercial Real Estate-690 Dekalb	1.79%	
4 LMC Properties Inc.	38,315,370	Commercial Real Estate-720 Arnold Rd	1.08%	
5 Brandywine Operating Partners	37,000,000	Commercial Real Estate-600 N Gulph	1.04%	
6 Lockheed Martin Corp	34,947,360	Commercial Real Estate-230 Mall	0.99%	
7 Weissenberger Guntram(VF Suites)	34,250,000	Residential Real Estate-475 American	1.00%	
8 Philadelphia Newspapers Inc.	32,017,020	Commercial Real Estate-River Road	0.90%	
9 JEG Assoc. (Valley View Apts)	30,853,220	Residential Real Estate-251 W Dekalb	0.87%	
10 KBF Assoc. L.P. (Kingswood Apts)	30,754,200	Residential Real Estate-600 S Gulph	0.87%	
	<u>\$657,295,255</u>		<u>18.55%</u>	
 Total Assessed Valuation	 <u>\$3,543,434,227</u>			

UPPER MERION TOWNSHIP
Business Privilege & Mercantile Tax (1) Paid 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 (2)	Corp/Admin Offices (2)	
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
2012	1,031	15	271	190	1,764	512	79	38	18	262	76	4,256
2013	1,130	14	289	212	1,021	499	83	38	13	120	77	3,496

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.
- (2) Reflects data for total filers not necessarily paid.

Source: Upper Merion Township Business Tax Collector

UPPER MERION TOWNSHIP

**Ranking of Top Ten Business Privilege & Mercantile Tax Payers (1)
December 31, 2013 and December 31, 2004**

December 31, 2013

<u>Name</u>	<u>Rank</u>
Lockheed Martin Corp.	1
The SI Organization	2
BNY Mellon	3
Nordstrom	4
Bechtel Communications Inc.	5
Costco Wholesale	6
King of Prussia Associates	7
Neiman Marcus	8
BNP Paribas Securities Corp.	9
SMS Inc.	10

Combined percentage, of the top ten businesses, account for 24.97% of total business privilege and mercantile taxes.

December 31, 2004

<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.

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

Property Tax								Business & Mercantile Tax
Fiscal Year 12/31	Levied for the Fiscal Year (1),(3),(4),(5)	Collections for the Fiscal Year (1),(3),(4),(5)	Collections for the Fiscal Year as a % of Levy	Collections in Subsequent Years	Adjusted Levy for the Fiscal Year	Total Collections To Date	Total Collections To Date as a % of Levy	Taxes Collected for the Fiscal Year (2)
2004	5,637,604	5,593,373	99.2%	59,580	5,697,184	5,652,953	99.2%	8,264,090
2005	7,052,652	6,990,769	99.1%	80,563	7,133,215	7,071,332	99.1%	8,852,792
2006	6,117,675	6,068,845	99.2%	50,992	6,168,667	6,119,837	99.2%	10,009,749
2007	6,397,385	6,340,517	99.1%	48,328	6,445,713	6,388,845	99.1%	10,406,441
2008	6,379,528	6,324,852	99.1%	42,825	6,422,353	6,367,677	99.1%	10,401,882
2009	6,348,865	6,222,063	98.0%	74,879	6,423,744	6,296,942	98.0%	9,243,868
2010	6,421,230	6,363,060	99.1%	109,298	6,530,528	6,472,358	99.1%	8,806,670
2011	6,374,779	6,306,987	98.9%	50,601	6,425,380	6,357,588	98.9%	9,265,042
2012	6,210,952	6,147,865	99.0%	89,189	6,300,141	6,237,054	99.0%	10,633,495
2013	6,312,422	6,234,183	98.8%	61,220	6,373,642	6,295,403	98.8%	10,633,495

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**

Fiscal Year	<u>Governmental Activities (1)</u>		<u>Business-Type Activities (1)</u>		<u>Total Primary Government</u>	Percentage of	
	<u>General Obligation Bonds</u>	<u>Note Payable (2)</u>	<u>General Obligation Bonds (3)</u>	<u>Note Payable (2)</u>		<u>Median Household Income (4),(5)</u>	<u>Per Capita (4)</u>
2004	\$14,560,895	\$0	\$5,570,000		\$20,130,895	\$275	\$746
2005	14,213,584	0	5,235,000		19,448,584	\$259	\$723
2006	18,542,055	0	4,880,000		23,422,055	\$304	\$873
2007	17,849,205	0	4,505,000		22,354,205	\$283	\$840
2008	16,999,235	0	4,160,000		21,159,235	\$262	\$798
2009	27,940,000	0	0	4,125,000	32,065,000	\$400	\$1,211
2010	25,405,000	0	0	3,555,000	28,960,000	\$362	\$1,020
2011	23,230,000	810,800	0	3,010,000	27,050,800	\$374	\$949
2012	33,180,000	735,474	0	2,440,000	36,355,474	\$480	\$1,274
2013	30,000,000	658,924	0	1,850,000	32,508,924	\$433	\$1,132

Notes:

- (1) Details regarding the Township's outstanding debt can be found in the notes to the basic financial statements.
- (2) Note Payables are included to present a complete picture of debt outstanding due to the large amounts issued.
- (3) The GO Series of 2003 of variable rate debt (swap) was refunded in 2009 with a G.O. Note.
- (4) See Table 18 for population and median household income data.
- (5) Data expressed in dollar amounts.

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, 2013

Jurisdiction	Total Debt Outstanding	Percentage Applicable to the Township(2)	Amount Applicable to the Township
Direct Debt:			
Upper Merion Township: General Obligation Debt	\$32,508,924	100.0%	\$32,508,924
<i>Total Direct Debt</i>	<u>\$32,508,924</u>		<u>\$32,508,924</u>
Overlapping Debt:			
Upper Merion Area School District	61,479,700	88.4%	54,320,512
Montgomery County	371,720,000	5.9%	21,842,822
<i>Total Overlapping Debt</i>	<u>433,199,700</u>		<u>76,163,334</u>
Total Obligations.....			<u><u>108,672,258</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

TABLE 15

Upper Merion Township

Computation of Borrowing Base (Unaudited) (1) As of 12/31/13

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Revenues Received..... (From all Sources)	\$38,767,407	\$40,186,528	\$37,611,530
Deduct:			
Project Revenues, Receipts Assessments, Etc., Pledged for Self Liquidating Debt Lease Payments, etc.....	83,011	50,653	25,238
Interest on Moneys in Sinking Funds, Reserves and Other Funds and Interest on Bond Proceeds.....	154	1,580	1,580
Grants & Gifts-In-Aid.....	4,546,356	3,964,924	4,856,365
Non-Recurring Receipts.....	<u>3,915,748</u>	<u>2,973,246</u>	<u>1,218,001</u>
Subtotal Adjusted Revenues.....	\$30,222,138	\$33,196,125	\$31,510,346
Total Revenues Adjusted, Three Years Ended December 31, 2013.....			\$94,928,609
Borrowing Base = Total Revenues Adjusted (divided by 3)			\$31,642,870 (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 12/31/13

	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).....	\$79,107,174.17	\$110,750,044
Electoral Debt		
General Obligation Bonds-Series of 2011	4,430,000	4,430,000
Non-Electoral Debt		
General Obligation Bonds-Series of 2009A.....	7,095,000	7,095,000
General Obligation Bonds-Series of 2010.....	2,260,000	2,260,000
General Obligation Bonds-Series of 2012.....	9,815,000	9,815,000
General Obligation Bonds-Series of 2013.....	6,400,000	6,400,000
Note Payable (PIB Allendale Road Bridge).....	658,924	658,924
Note Payable (PIB Henderson RD).....	1,850,000	1,850,000
Remaining Borrowing Capacity.....	<u>\$48,448,250</u>	<u>\$80,091,120</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit (1)	\$87,790	\$92,111	\$101,585	\$109,568	\$107,169	\$102,473	\$98,743	\$103,098	\$115,744	\$110,750
Total net debt applicable to limit	<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>	<u>36,355</u>	<u>32,508</u>
Legal debt margin	<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>	<u>\$79,389</u>	<u>\$78,242</u>
Total net debt applicable to limit as a percentage of debt limit	23.5%	21.5%	23.2%	20.4%	19.7%	31.3%	29.3%	26.2%	31.4%	29.4%

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

Fiscal Year	<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>
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	5.8%	3,788
2010	28,390	2.3	39.4	60.1%	79,977	5.8%	3,791
2011	28,490	2.4	39.4	56.4%	72,357	5.5%	3,963
2012	28,544	2.3	39.8	52.6%	75,787	5.5%	4,000
2013	28,715	2.3	40.0	53.6%	75,025	5.2%	4,005

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 and U.S. Census Bureau. 2010 is official count from U.S. Census Bureau.

Sources: U.S. Census Bureau, Bureau of Labor Statistics and PA Department of Education.

Table 19

Upper Merion Township

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

2013			2004		
<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	2,740	4.9%	1 Lockheed Martin	4,212	6.4%
2 GlaxoSmithKline	2,562	4.6%	2 GlaxoSmithKline	3,425	5.2%
3 Valley Forge Colonial LTD	1,146	2.1%	3 Phila. Newspapers Inc.	2,426	3.7%
4 HIBU of PA	1,056	1.9%	4 TYCO Healthcare	1,473	2.2%
5 Phila. Newspapers Inc.	1,054	1.9%	5 Robert Half	1,342	2.0%
6 GSI Commerce Solutions	990	1.8%	6 Nordstrom	1,039	1.6%
7 US Liability Insurance Co.	757	1.4%	7 PFPC Inc.	994	1.5%
8 Upper Merion Area SD	642	1.2%	8 Macys	926	1.4%
9 Arkema	636	1.1%	9 Aetna	771	1.2%
10 The SI Organization Inc.	<u>631</u>	<u>1.1%</u>	10 Upper Merion Area SD	<u>762</u>	1.2%
Total	12,214	21.9%	Total	17,370	26.5%

Notes:

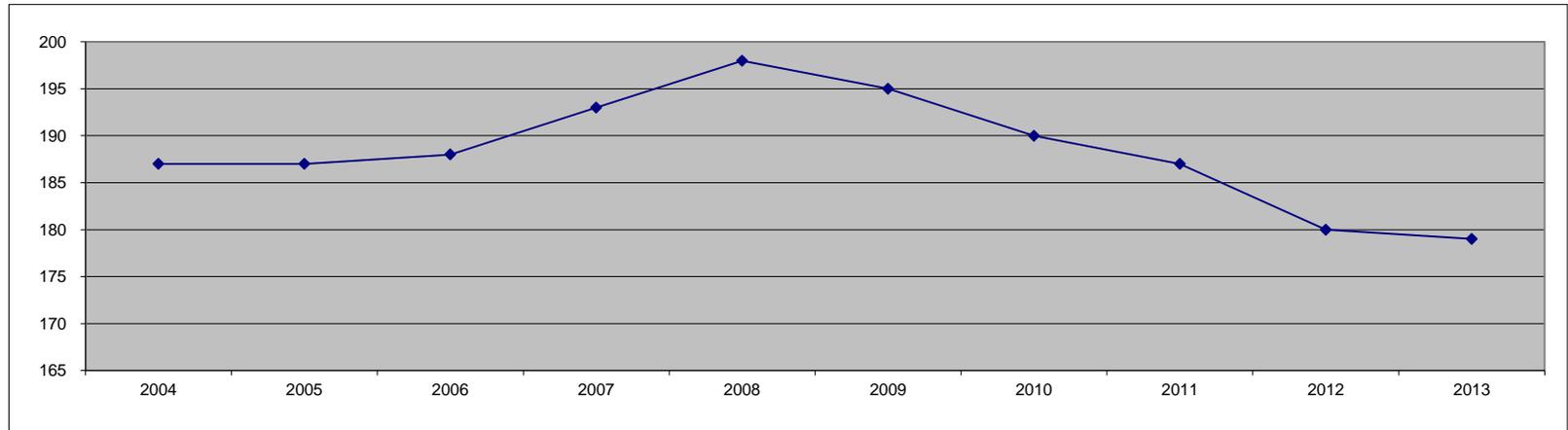
(1) \$12,000 income exemption beginning in 2008. Employee count reflects only those above the exemption and that actually filed/paid the tax.

Source: Upper Merion Township Business Tax Collector

UPPER MERION TOWNSHIP

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government (Admin. & I.T.)	19	19	20	23	24	24	23	23	23	23
Public Safety										
Police										
Officers	62	62	62	62	64	64	64	64	64	64
Civilians	22	22	22	21	21	21	20	19	18	17
Safety and Codes Enforcement	10	10	10	12	12	11	11	11	10	10
Public Works										
Administration	8	8	8	8	8	8	7	7	5	5
Planning	5	5	5	4	4	4	4	3	2	2
Transportation (includes equipment operators)	14	14	14	14	14	14	14	14	13	13
Park/Shade Tree	7	7	7	9	9	9	8	8	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	22	24	22	21	20	20	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>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>
Total	<u>187</u>	<u>187</u>	<u>188</u>	<u>193</u>	<u>198</u>	<u>195</u>	<u>190</u>	<u>187</u>	<u>180</u>	<u>179</u>



Notes:

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

Source: Township Finance Office

TABLE 21

UPPER MERION TOWNSHIP

**Operating Indicators by Function
Last Ten Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Reception incoming calls	25,805	22,467	23,433	23,400	20,927	18,834	13,411	11,923	11,704	8,010
Tax returns received	8,624	8,904	9,169	9,204	9,684	10,602	10,515	11,217	11,303	13,329
Public meetings held	221	230	209	192	220	214	167	155	157	153
Public Safety										
<i>Police</i>										
Traffic citations	1,735	1,845	1,485	1,726	1,344	1,899	1,460	1,792	1,558	1,625
Traffic crash reports (accidents)	2,002	2,042	1,992	1,767	1,692	1,740	1,663	1,689	1,715	1,667
Retail theft	546	651	600	594	662	769	783	763	713	543
Alarms	3,543	3,247	3,213	3,083	2,889	2,420	2,543	2,526	2,510	2,472
<i>Safety and Codes Enforcement</i>										
Plan reviews	1,208	1,171	1,341	1,611	1,711	1,518	1,790	1,723	1,585	1,845
Permits	2,407	2,502	2,601	2,378	1,373	1,387	1,719	1,937	1,775	2,170
Public Works										
<i>Administration</i>										
Reception incoming calls	16,859	17,191	17,227	16,059	13,981	14,327	10,391	8,220	6,652	6,712
<i>Transportation</i>										
Tons of leaves collected	1,592	1,622	1,402	2,099	1,583	1,527	1,014	1,674	1,594	1,837
Street patching man hours	4,954	6,003	4,916	5,087	5,799	6,339	4,604	6,717	6,102	6,373
<i>Park/Shade Tree</i>										
Tons of material composted	2,995	2,797	3,370	3,140	4,629	3,378	4,215	4,694	4,506	2,954
<i>Building/Vehicle Maintenance</i>										
Vehicle damage repairs	74	63	58	47	23	10	11	10	1	1
<i>Wastewater (Sewer)</i>										
Gallons of wastewater treated (in millions)	2,557	2,439	2,311	2,406	2,105	2,038	2,208	2,284	1,974	1,973
Culture and Recreation										
<i>Park & Recreation</i>										
# of participants for all programs	9,371	7,663	7,434	6,323	7,764	6,317	6,444	6,119	5,503	6,414
<i>Library</i>										
Circulation for all materials	188,548	194,861	190,915	199,154	212,602	213,169	212,166	218,546	218,520	222,974

Source: Upper Merion Township December ytd departmental statistic reports.

TABLE 22

UPPER MERION TOWNSHIP
Capital Asset and Infrastructure Statistics by Function
Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Square footage occupied	5,913	5,913	5,913	5,913	5,913	5,913	5,913	5,913	5,913	5,913
Public Safety										
<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	8	8	8	8	8	7	6	6	6	6
Public Works										
<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	1	1	1	1
<i>Transportation</i>										
Total Miles of roads/streets	82.02	82.58	82.58	83.01	83.01	83.89	83.89	83.89	83.89	83.89
Traffic Signals	68	68	68	69	69	70	70	70	70	70
<i>Park/Shade Tree</i>										
Number of park maintenance equipment	15	16	16	16	16	16	17	17	17	17
<i>Wastewater (Sewer)</i>										
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Pumping stations	11	11	11	12	12	12	12	12	12	12
Miles of sanitary sewer	122.24	123.62	123.62	123.62	123.62	123.62	123.62	123.62	123.62	123.62
Culture and Recreation										
<i>Park & Recreation</i>										
Park acreage	400.82	400.82	400.82	418.74	424.72	443.59	446.66	446.66	446.66	446.66
Parks	35	35	35	35	35	35	35	35	35	35
<i>Library</i>										
Number of materials in collection	122,703	127,171	132,535	130,761	129,831	135,378	139,432	141,077	143,054	151,934

Source: Various Township departments.