



**COMMUNITY CENTER  
ROOFING PROJECT**



**SWEARING IN OF NEW  
TOWNSHIP MANAGER  
ANTHONY HAMADAY**



**LIBRARY  
DRIVE UP  
RETURN  
BOX**



**POP-UP FARMERS MARKET AT  
THE KING OF PRUSSIA MALL**



**READY FOR 100 RENEWABLE  
ENERGY RESOLUTION ADOPTION**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended  
December 31, 2019**



**UPPER MERION  
TOWNSHIP,  
PENNSYLVANIA**

*Prepared by  
Upper Merion Township  
Administration Department*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

UPPER MERION TOWNSHIP  
MONTGOMERY COUNTY,  
PENNSYLVANIA



Year Ended December 31, 2019

*Prepared by  
Upper Merion Township Finance and Administration Department*

*Nicholas F. Hiriak  
Director of Finance and Administration*

# UPPER MERION TOWNSHIP COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2019

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July 20, 2020

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, 2019. 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 unmodified ("clean") opinion on Upper Merion Township's financial statements for the year ended December 31, 2019. 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 40 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 Mall, which is the second largest mall complex in the country and the Valley Forge Casino Resort. 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 30,000 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 and Finance
- ◆ Public Safety – Police and Fire/EMS
- ◆ Code 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 Sanitary and Stormwater Authority** - Established in 1986, as the Upper Merion Municipal Utility Authority, to finance the Township's sewage collection and treatment facilities. In 2017, the Authority's responsibilities were expanded to plan, manage and implement stormwater systems. The name was changed to the Upper Merion Sanitary and Stormwater Authority. A five-member board appointed by the Township's Board of Supervisors governs the 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 July of each year with the goal setting conference between staff and the governing body. Throughout the course of September and October requests for funding are submitted and reviewed, in workshop meetings, culminating with a public hearing and vote for adoption by the governing body in December. The Township's fiscal year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

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

### **Local Economy**

The Township has a thriving business community and is a net importer of labor, with more than twice as many jobs as there are residents. The strength of the local economy can be judged by looking at trends in employment, business tax revenue, building permit activity and real estate sales and transfer tax activity. At the present time, the Township has the distinction of being the largest concentration of commercial activity in the Philadelphia suburban region. A more detailed analysis of the Township's overall financial condition during the fiscal year ended 2019 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 are 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 budgeting 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 5.1% 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**

As a start of the annual budget process, the Governing Body and Management Staff undertake a formal process to formulate goals, objectives and initiatives. The goals, objectives and initiatives focus on new initiatives as well as cost saving/reduction measures and a re-evaluation of how the Township does business in most areas. The following list of items was included as the Township's goals, objectives and initiatives for 2019. The status of these items is either in place, in progress or continues to be researched for future consideration:

### **Board of Supervisors**

- Increasing corporate/business awareness and support for various Upper Merion programs and initiatives including but not limited to the township foundation and the community center.
- Reducing the return on investment in the pension plan from 8% to 7.875%.
- Expansion of the Upper Merion Farmers Market.
- Finding a location on the south/east side of 202 to install an LED sign.
- Stronger push for sustainability by township in general, and by each department.
- Better stewardship of parks: more timely repairs, cleaning, painting of park equipment, fences, etc.
- New or expanded library.
- Plan to use capital and/or general funds for stormwater (MS4) improvements insofar as possible, as we did after the 1995 stormwater study, by prioritizing projects.

### Personnel Management

- Development of a 2 person/2 horse mounted patrol unit to enhance our community policing initiatives, provide a strong crime deterrence to reduce fear of crime and to become a force multiplier as the Township has even larger community events.
- Manage a smooth transition between the residential rental inspection program and other departments.
- Re-Evaluate our time management software; Implementation of automated system township wide for electronic workflow of payroll data.
- Department wide succession planning.
- Conduct staffing analysis of PW departments.
- Implementation of PW Reorganization Plan.

### Analytics and Benchmarking

- The library will create a technology competency framework to ensure staff is well-trained in accessing and using online resources as well as promoting them to the public.
- Improve the clearance rates for Part 1 Crimes.

### Sustainability

- Create a sustainable partnership with DECA program for the purpose of Township Lines advertisers.
- Create a township economic diversification plan for long-term financial sustainability in partnership with ECDC and KOP BID.
- Develop strategic operations plan for all departments.
- The library will promote the cost-saving benefits of our services to patrons using return on investment metrics and with the help of the PIO office to make infographics and other forms of marketing material.
- Examine what is needed for a new phone system should it be premised based or cloud based.
- Implementation of Comprehensive Stormwater Study Recommendations.
- Review housing policies and studies/programs aimed at supporting "affordable"/workforce housing.
- Complete phase two of department restructuring by adding mid-level management (Sgt. or Cpl.) to the COP and Administrative Divisions.

### Operations Enhancement

- Implement new request for service/citizen action center.
- Identify and implement an agenda management system, for use by both the Board of Supervisors as well as the public.
- Create a comprehensive township brand refresh.
- Determine current and long-term functionality of township building.
- Repurpose underused square footage to create offices for the growing needs of the department.
- Complete update and operations and procedures.
- Create an on-line form fillable contractor registration application, including the ability to submit an electronic payment.
- Provide additional training for TRAISR, expand on the software's capabilities, improve inter-departmental communication.
- Expansion of the Concerts Under the Stars Summer Music Series.
- Re-Design the traffic and buffer zone network to handle the added increase in data from the fire company and proposed license plate cameras.
- The library will work with a consulting firm to create a conceptual plan for new space. A conceptual plan is the first step in identifying grant opportunities for building/renovations.
- Establish 5-year purchasing plan for equipment and vehicles.

### **Awards and Acknowledgements**

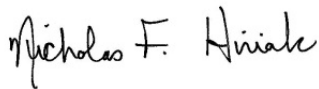
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Upper Merion Township for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2018. This was the twenty-second 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, Anthony Hamaday and the Township's Board of Supervisors.

Sincerely,

A handwritten signature in black ink that reads "Nicholas F. Hiriak". The signature is written in a cursive, flowing style.

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**

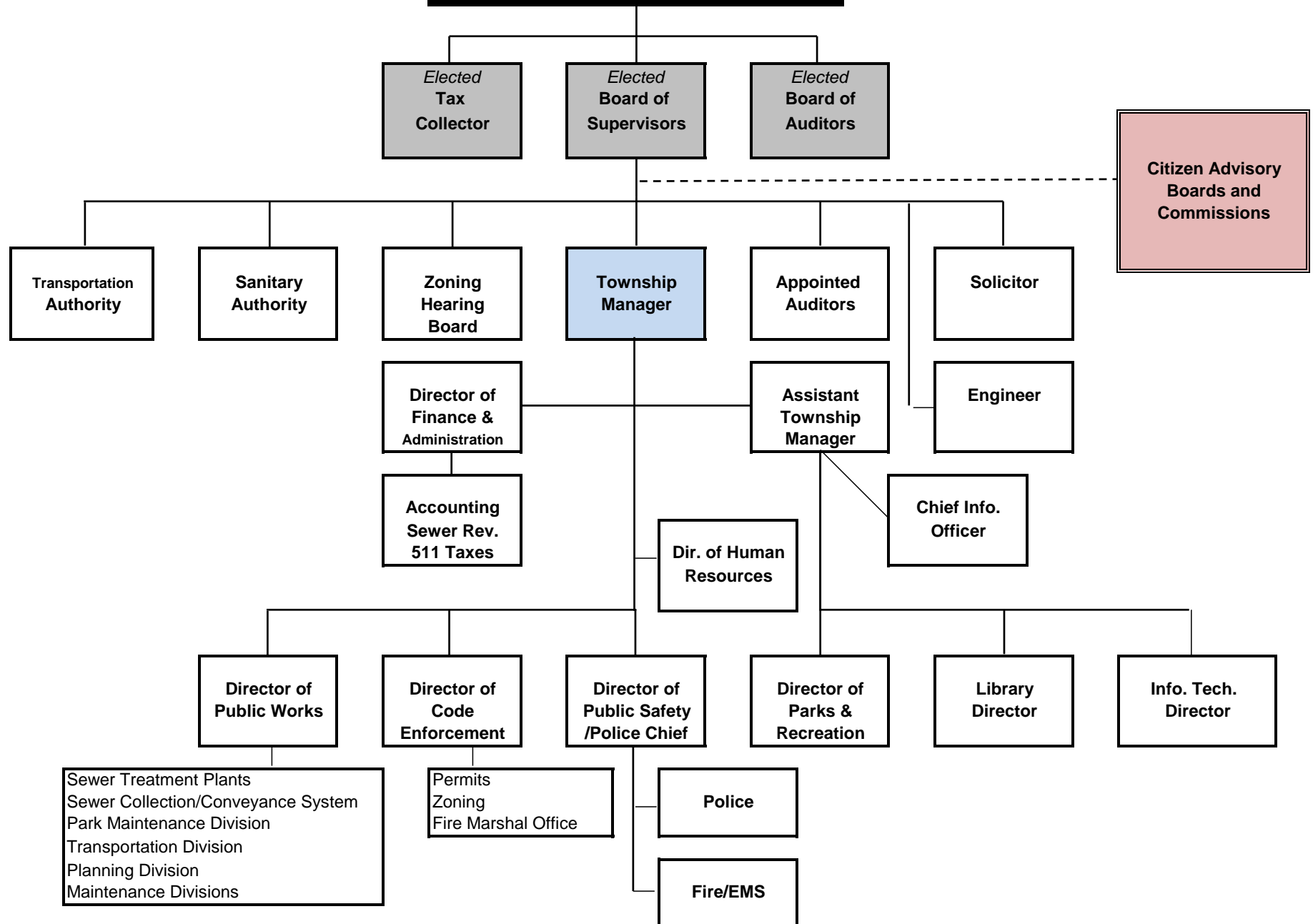
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morrell*

Executive Director/CEO

# Upper Merion Voters



# **Upper Merion Township**

Montgomery County, Pennsylvania

## **2019 TOWNSHIP OFFICIALS**

### **ELECTED OFFICIALS**

Governing Body:

Chairman, Board of Supervisors	Greg Waks
Vice-Chairman, Board of Supervisors	Carole Kenney
Member, Board of Supervisors	William Jenaway
Member, Board of Supervisors	Greg Philips
Member, Board of Supervisors	Tina Garzillo

Elected Auditors:

Chairman	Van Weiss
Vice-Chairman	David Lipson
Secretary	Steve Ciavarri

Elected Tax Collector	Rose Hykel
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### **APPOINTED OFFICIALS**

Township Manager	Anthony Hamaday
Assistant Township Manager	Vacant
Director of Finance & Administration	Nicholas F. Hiriak
Library Director	Laura Arnhold
Director of Parks & Recreation	Daniel Russell
Director of Public Safety/Chief of Police	Thomas Nolan
Director of Public Works	Geoff Hickman
Director of Code Enforcement	Mark Zadroga
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, 2019, 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, 2019, 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

### ***Emphasis of Matter***

For the year ended December 31, 2019, Upper Merion Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. Our opinion is modified with respect to this matter.

As discussed in Note S, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Upper Merion Township's operational and financial performance. At this point, Upper Merion Township cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 19, budgetary comparison information on pages 65 through 69, trend data on infrastructure condition on page 70 and pension plan information on pages 71 through 73 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 budgetary comparison information, description of funds, combining and individual nonmajor fund financial statements and the schedule of real estate taxes and district justice fines are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, description of funds, combining and individual nonmajor fund financial statements and the schedule of real estate taxes and district justice fines 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 and the schedule of real estate taxes and district justice fines are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Oaks, Pennsylvania  
July 24, 2020



## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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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, 2019. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Township exceeded its liabilities and deferred inflows by \$73,119,943 (net position).
- There was no increase in Township real estate tax rates for 2019.
- The Township continued the Homestead Real Estate Tax Exclusion program for all primary (owner-occupied) residential real estate property.
- The Township issued \$9,600,000 of aggregate principal General Obligation Bonds, Series of 2019, and was rated by Moody's Investors Services and reaffirmed Aaa status. The purpose of the series was a current refunding of [a portion of] the Township's General Obligation Bonds, Series of 2014 and paying the costs of issuing the Bonds.
- The Township created a Fire and Emergency Medical Services (EMS) Department in 2019 and includes one Fire Chief, six full-time career firefighters and twelve full-time paramedics.

#### 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.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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- The *statement of activities* focuses on gross and net costs of Township programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- *Fund financial statements* focus separately on major Governmental Funds, 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 and State Highway Aid 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 public safety (police and fire/ems, public works, codes enforcement, 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. The General Authority was established in 1986 as a financing authority for the expansion and renovation of the Township Building. This Authority is currently dormant.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

- **Component Units** - The Township includes two separate legal entities in this report: the Sanitary and Stormwater 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, 2019**

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Cash and investments	\$ 38,332,272	\$ 15,464,251	\$ 53,796,523
Other assets	2,684,913	2,626,028	5,310,941
Capital assets, net of accumulated depreciation	72,274,927	6,186,169	78,461,096
TOTAL ASSETS	113,292,112	24,276,448	137,568,560
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	395,891	-	395,891
Deferred outflows of resources, pension activity	971,468	-	971,468
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,367,359	-	1,367,359
LIABILITIES			
Other liabilities	3,266,557	203,398	3,469,955
Long-term liabilities	30,641,738	-	30,641,738
TOTAL LIABILITIES	33,908,295	203,398	34,111,693
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	7,631,233	-	7,631,233
NET POSITION			
Net investment in capital assets	46,836,276	6,601,842	53,438,118
Restricted	11,507,668	-	11,507,668
Unrestricted	14,775,999	17,471,208	32,247,207
TOTAL NET POSITION	\$ 73,119,943	\$ 24,073,050	\$ 97,192,993

**UPPER MERION TOWNSHIP****MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2019**

**Table 2**  
**Condensed Statement of Net Position**  
**December 31, 2018**

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>ASSETS</b>			
Cash and investments	\$ 36,706,857	\$ 13,465,317	\$ 50,172,174
Other assets	2,432,147	2,209,283	4,641,430
Capital assets, net of accumulated depreciation	69,974,419	6,601,842	76,576,261
<b>TOTAL ASSETS</b>	<b>109,113,423</b>	<b>22,276,442</b>	<b>131,389,865</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	366,443	-	366,443
Deferred outflows of resources, pension activity	846,723	-	846,723
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,213,166</b>	<b>-</b>	<b>1,213,166</b>
<b>LIABILITIES</b>			
Other liabilities	2,904,596	189,797	3,094,393
Long-term liabilities	40,691,109	-	40,691,109
<b>TOTAL LIABILITIES</b>	<b>43,595,705</b>	<b>189,797</b>	<b>43,785,502</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	150,112	-	150,112
<b>NET POSITION</b>			
Net investment in capital assets	43,776,045	6,601,842	50,377,887
Restricted	6,988,817	-	6,988,817
Unrestricted	15,815,910	15,484,803	31,300,713
<b>TOTAL NET POSITION</b>	<b>\$ 66,580,772</b>	<b>\$ 22,086,645</b>	<b>\$ 88,667,417</b>

Analysis as of December 31, 2019, shows that cash and investments represent 33.8% of Upper Merion Township's total governmental assets, an increase of 4.4% from 2018 due mainly to an enhanced cash/investment position across most governmental funds because of an increase in investment earnings. Of this amount, \$1,878,857 is reserved for capital equipment replacement (e.g., police vehicles, trucks and plows, etc.). Since the Township relies heavily on the Act 511 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 these tax revenues experience a sharp decline. The Township has also assigned \$800,330 that reflects possible contractual obligations of police and management personnel.

By far the largest portion of the Township's governmental assets, 63.8%, 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.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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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 \$13.4 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. In the years since, there have been miscellaneous renovations and improvements made to the building.

Accumulated depreciation reflects 40.9% of total capital assets for governmental activities and 65.3% of total capital assets for business-type activities. The Township is committed 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, special items and gains on sale of assets, for governmental activities for fiscal 2019 was \$43,835,502, compared to \$39,674,038 in 2018, an increase of \$4,161,464. The overall increase in the governmental activity revenue is due to key areas of the economy performing at higher than average levels, and they include: the real estate transfer tax, which is related to the sale of residential and commercial properties; the business and mercantile tax, this is related to business and consumer spending; and building permit revenue (\$3,698M included in Charges for Services), this is related to economic conditions and consumer confidence.

Business privilege tax is the largest revenue source for the Township and accounts for over 20.9% of total governmental activities revenue. This source of revenue, along with the Mercantile tax, is a tax based on the gross receipts of retail, manufacturing and services businesses and is a major indicator of trends in consumer spending and business commerce.

For fiscal 2019, 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.

The tax base continues to experience growth in assessed value given continued new development and redevelopment in both residential and commercial properties. From a modified accrual basis, collections at December 31, 2019 totaled \$6,858,264 as compared to December 31, 2018 total of \$6,626,925. Table 3 and 4 Property tax revenues show amounts based on full accrual that recognizes adjustments for receivables that records a larger amount in receivables in this category.

The transfer tax is a tax calculated at a rate of .05% on the sales price of property. For 2019, revenue totals \$2,618M and is attributable to the sale of 506 residential properties at an average sales price of \$376,000 as well as the sale of commercial properties numbering 35 with an average sales price of \$9.9M.

The Township's governmental program, which includes the General Fund, consists of seven operating departments to include public safety (police and fire/ems), public works, codes enforcement, library, parks and recreation, information technology and administration. Total expenses for fiscal 2019 were \$39,902,286. Expenses by source are presented in Table 3. To manage overall expenditure growth, the Township Governing Body instituted a set of operating measures, based on zero based budgeting principles, designed to reduce expenses but ensure that residents and customers will continue to be offered excellent services.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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From a comparison of the Net Position, Ending, and comparing ending balances of \$73.1M to \$66.6M, one could infer that the Township's overall financial position from governmental activities increased in 2019 over that of 2018 due to a number of factors that include liquidity, debt structure and reserve levels.

The year-end cash and investment position has been very stable over the past several years. Operating fund (General and Library) cash and investments at the close of fiscal 2019 totaled \$18.6M compared to \$17.8M in 2018. All debt is fixed rate. Debt service of \$2.9 million in fiscal 2019 was approximately 7.7% of total expenses. The Township is not party to any interest rate swaps or other derivative agreements.

The Township has achieved positive changes in the General Fund fund balance in each of the last four fiscal years. For 2019, the change in fund balance in comparison to 2018 was \$680K. This includes a restatement of beginning fund balance (as a result of GASB 84 implementation) increasing fund balance by \$195K and a current year change in fund balance of \$485K. For 2018, 2017, and 2016 the net change was \$423K, \$1.1M, and \$1.3M respectively. Operations are consistently structurally balanced, with moderate growth in expenditures that is offset by corresponding revenue increases.

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

Business-type activities comprise the Township's sewer system and the Township's General Authority. Total revenue from this activity is \$8,946,186. Charges for services account for \$8,696,579 or 97.2% of revenue. Total expenses were \$6,600,995.

The Sewer Revenue Fund portion of charges for services consists of \$8,696,579. This is the revenue derived from the sewer system rate payers. There was a rate increase for 2019 in the amount of \$5.75/quarter. The sewer rental rate is \$74.75/quarter, of which \$7 is for dedicated funding for extensive capital construction projects at the Township's two wastewater treatment plants. Expenses to operate the system total \$6,397,697.

The revenue, from the Township, to the General Authority ended with the final debt service payment (2016) on the bond issue used to construct the municipal building. The lease with the Township remains in place without any financial obligations between the Authority and Township.

From an overall financial position compared to 2019, the Sewer Revenue Fund is financially and operationally stable at the current time. The increase in cash and investments is due to the dedicated sewer rate funding increases of years past 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 2019 (\$18,063,292) compared to 2018 (\$15,755,158). Revenues for 2019 (\$8,629,455), increased compared to those of 2018 (\$7,776,676). The increase of \$852,779 is due to increased rates and the increased residential and commercial development activity occurring in the Township. Expenses for 2019 (\$6,397,697) were comparable to 2018 (\$6,361,788).

**UPPER MERION TOWNSHIP****MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2019**

**Table 3**  
**Changes in Net Position**  
**Year Ended December 31, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 8,660,586	\$ 8,696,579	\$ 17,357,165
Operating/capital grants and contributions	7,404,365	-	7,404,365
General revenues			
Property taxes	7,294,937	-	7,294,937
Amusement taxes	403,264	-	403,264
Business privilege taxes	9,163,256	-	9,163,256
Local services taxes	2,364,942	-	2,364,942
Mercantile taxes	4,526,758	-	4,526,758
Transfer taxes	2,618,641	-	2,618,641
Public utilities taxes	23,016	-	23,016
Investment income	777,783	249,607	1,027,390
Miscellaneous	597,954	-	597,954
<b>TOTAL REVENUES</b>	<u>43,835,502</u>	<u>8,946,186</u>	<u>52,781,688</u>
<b>EXPENSES</b>			
Operating	6,821,906	203,298	7,025,204
General government	3,963,190	-	3,963,190
Police, health and public safety	16,788,570	-	16,788,570
Roads	3,671,003	-	3,671,003
Parks	5,006,920	-	5,006,920
Police and employee pension cost	1,638,509	-	1,638,509
Planning and code enforcement	1,071,906	-	1,071,906
Interest on long-term debt	940,282	-	940,282
Sewer	-	6,397,697	6,397,697
<b>TOTAL EXPENSES</b>	<u>39,902,286</u>	<u>6,600,995</u>	<u>46,503,281</u>
<b>CHANGE IN NET POSITION BEFORE SPECIAL ITEMS, TRANSFERS, AND GAIN ON DISPOSAL OF ASSETS</b>	3,933,216	2,345,191	6,278,407
<b>SPECIAL ITEMS</b>	1,988,489	-	1,988,489
<b>TRANSFERS</b>	358,786	(358,786)	-
<b>GAIN ON DISPOSAL OF ASSETS</b>	<u>63,888</u>	<u>-</u>	<u>63,888</u>
<b>CHANGE IN NET POSITION</b>	6,344,379	1,986,405	8,330,784
<b>NET POSITION, BEGINNING, restated*</b>	<u>66,775,564</u> *	<u>22,086,645</u>	<u>88,862,209</u>
<b>NET POSITION, ENDING</b>	<u>\$ 73,119,943</u>	<u>\$ 24,073,050</u>	<u>\$ 97,192,993</u>

**UPPER MERION TOWNSHIP****MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2019**

**Table 4**  
**Changes in Net Position**  
**Year Ended December 31, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 8,547,340	\$ 7,776,676	\$ 16,324,016
Operating/capital grants and contributions	4,714,913	32,733	4,747,646
General revenues			
Property taxes	6,633,523	-	6,633,523
Amusement taxes	478,324	-	478,324
Business privilege taxes	8,228,115	-	8,228,115
Emergency and municipal services taxes	2,339,614	-	2,339,614
Mercantile taxes	4,295,921	-	4,295,921
Transfer taxes	3,064,919	-	3,064,919
Public utilities taxes	26,018	-	26,018
Investment income	630,417	184,193	814,610
Miscellaneous	714,934	-	714,934
<b>TOTAL REVENUES</b>	<u>39,674,038</u>	<u>7,993,602</u>	<u>47,667,640</u>
<b>EXPENSES</b>			
Operating	6,672,216	203,374	6,875,590
General government	4,112,519	-	4,112,519
Police, health and public safety	13,648,840	-	13,648,840
Roads	4,383,747	-	4,383,747
Parks	5,046,305	-	5,046,305
Police and employee pension cost	2,687,405	-	2,687,405
Planning and code enforcement	1,362,818	-	1,362,818
Interest on long-term debt	854,018	-	854,018
Sewer	-	6,361,788	6,361,788
<b>TOTAL EXPENSES</b>	<u>38,767,868</u>	<u>6,565,162</u>	<u>45,333,030</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS AND GAIN ON DISPOSAL OF ASSETS</b>			
	906,170	1,428,440	2,334,610
<b>TRANSFERS</b>	730,754	(730,754)	-
<b>GAIN ON DISPOSAL OF ASSETS</b>	<u>46,191</u>	<u>-</u>	<u>46,191</u>
<b>CHANGE IN NET POSITION</b>	1,683,115	697,686	2,380,801
<b>NET POSITION, BEGINNING</b>	<u>64,897,657</u>	<u>21,388,959</u>	<u>86,286,616</u>
<b>NET POSITION, ENDING</b>	<u>\$ 66,580,772</u>	<u>\$ 22,086,645</u>	<u>\$ 88,667,417</u>



## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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#### 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, 2019, the Township's Governmental Funds reported combined ending balances of \$37,768,426, an increase of \$1,596,322 as compared to the prior year. This increase includes a restatement of beginning fund balance on the General Fund in the amount of \$194,792 as a result of GASB 84 implementation. The two primary factors for this increase are due to: 1). Favorable operating results in the general fund of \$485,175 and 2). Recognition of revenue in the State Highway Aid fund (Liquid Fuels) as well as there being no measurable expenses resulting in a favorable increase of \$777,527.

Regarding fund balances, approximately \$814K, or 2.2%, is non-spendable because it is in a non-spendable form as a prepaid item. Approximately 30.4%, or \$11,507,668, 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 5.3%, 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 42.8% or \$16,159,684. Assigned categories include amounts for next year's budget, contractual commitments, equipment replacement, capital projects and property/liability insurance contingency. Finally, the remainder of fund balance, approximately 19.3%, or \$7,287,066, 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 \$7,287,066, while total fund balance reached \$18,632,808. The total fund balance of the General Fund increased by \$679,967 in comparison to the 2018 balance, due to the previously mentioned GASB 84 implementation and due to an operational increase of revenue over expense that's mainly attributed to increased collections in real estate transfer tax. In relation to operations, fund balance was not drawn down, as was planned in the 2019 budget.

The **Fire Apparatus Fund** has a total fund balance as of December 31, 2019, of \$3,110,748, 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 Township's Fire and EMS Department. This fund also provides for the annual allocation to the volunteer firefighter's length of service award (LOSA). 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 Public Safety Department, but purchases must be approved by the Township's Board of Supervisors. This balance fluctuates, from year to year, based primarily on vehicles and equipment purchased.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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**State Highway Aid Fund:** The Commonwealth of Pennsylvania finances the State Highway Aid Fund through the Liquid Fuels Tax program. Funds are allocated to Upper Merion Township in April of each year. Use of the revenue is restricted to expenditures relating to the maintenance, repair, construction, or reconstruction of public roads or streets including curb ramps, bridges, culverts and drainage structures for which the municipality is legally responsible. A portion of the funds may also be used for the purchase of road machinery and equipment and repair of that equipment; traffic signs and signals and street lighting. The balance at December 31, 2019 totals \$1,836,451.

The **Capital Acquisition Fund** has a total fund balance of \$7,041,635, 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 2019. The year's major capital additions are highlighted in subsequent pages of this analysis. This balance fluctuates, from year to year, based on the initiatives of the Governing Body, Township Staff as well as funding sources.

The **General Obligation Fund** has a total fund balance of \$4,494,941. This fund is reserved for capital improvements or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or Other Governmental Funds. This balance is a result of the Township's issuance of the 2017 General Obligation Bond issue.

**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, 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, 2019, is \$2,651,843. This balance fluctuates, from year to year, based on the Township's debt repayment schedule as well as the initiatives of the Governing Body.

### 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 2019:

- \$6,000 increase for the Township's Norview Farm facility for debris removal due to rehabilitation work on the barn.
- \$25,000 increase to the Building Maintenance component account to replace the failing HVAC unit in the Township Building's Freedom Hall.
- \$15,000 increase to the Township's Trout Run WWTP chemical account for purchase of additional sodium hypochlorite due to conditions of the PA DEP permit.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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

- \$718,641 increase in real estate transfer tax due mainly to the increased sales of both residential and commercial properties.
- \$572,980 increase in permits/fees due to heavy building and development activity that require the issuance of permits.
- \$441,834 increase in the delinquent 511 taxes due to efforts in review and auditing.

## 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, 2019 and 2018, totals \$78,461,096 and \$76,576,261, 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:

- |  |             |
|--|-------------|
| • Vehicle and motorized equipment purchases for public safety and general government | \$834,864   |
| • Park renovation projects   | \$1,062,519 |
| • Improvements to Township facilities  | \$236,181   |
| • Generator purchase & installation at the Township garage                           | \$199,906   |
| • Traffic signal system upgrade  | \$158,086   |
| • Renovations at the Township pool   | \$92,717    |

Property, plant, system infrastructure and equipment of the primary government, as well as the component units, are depreciated using the straight-line method. However, for road and street infrastructure, the Township elected to use the modified approach.

For 2019, the Township expended \$36,630 for road and street maintenance. The construction aspect of the road program was deferred to 2020. Due to the hiring of a new Public Works Director, it was decided to perform a comprehensive engineering evaluation of the street system. Construction will resume in 2020 and will include the funds budgeted in 2019. The current condition level was rated at 6.76. The Township's minimum level is 6.75.

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

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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**Table 5**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**  
**Year Ended December 31, 2019**

	Governmental Activities	Business-Type Activities	Total Primary Government
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land	\$ 21,486,258	\$ -	\$ 21,486,258
Infrastructure	12,770,076	-	12,770,076
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	34,256,334	-	34,256,334
CAPITAL ASSETS BEING DEPRECIATED			
Library collection	263,683	-	263,683
Land improvements	4,633,241	-	4,633,241
Buildings and improvements	15,664,368	2,061,288	17,725,656
Furniture and equipment	2,706,834	2,037,074	4,743,908
Automobiles and trucks	3,065,869	135,965	3,201,834
Infrastructure	11,684,598	1,951,842	13,636,440
TOTAL CAPITAL ASSETS BEING DEPRECIATED	38,018,593	6,186,169	44,204,762
TOTAL CAPITAL ASSETS, net	\$ 72,274,927	\$ 6,186,169	\$ 78,461,096

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 \$30,329,483 in outstanding debt compared to \$32,198,391 last year for the primary government. The debt due within one year for governmental activities is \$2,070,000. Also, debt (notes payable) from the Township's component unit totals \$1,109,846 for the Transportation Authority.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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**Table 6**  
**Outstanding Debt at Year-End**  
***Years Ended December 31, 2019 and 2018***

	<u>2019</u>	<u>2018</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 29,670,000	\$ 31,950,000
COMPONENT UNITS		
Notes payable	<u>1,109,846</u>	<u>1,468,044</u>
	<u>\$ 30,779,846</u>	<u>\$ 33,418,044</u>

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

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

### **Economic Factors**

Since 2010, Upper Merion Township has experienced over \$3B in economic development projects across a wide spectrum of industries. The result is a more economically diverse community that is better equipped to weather varying economic cycles. The Township continues to be at the forefront of the suburban transformation movement and enabling it to continue the move of becoming a more dynamic place for residents, companies, employees and visitors.

Projects now completed include the following located in the Village of Valley Forge – The Brownstones, Main Line Health, and the Hanover Town Center, as well as major upgrades at the King of Prussia Mall, completion of Skye 750 in Moore Park and Steelyard Sports Complex on Swedeland Road.

The Brownstones, built by Toll Brothers, sold the last of their 132 high-end townhomes in 2019. The stacked townhomes are situated in 11 buildings.

The Main Line Health facility is now accepting patients at their \$32M, 94,000 SF health center, which includes a specialty care center for women in partnership with Axia Women's Health. The seven-story building offer services that include primary care, heart health, obstetrics and gynecology, breast health, skin care and emotional wellness. There is also an ambulatory care center that offers a wide variety of services to men and women.

Hanover Town Center is now leasing in The Village at Valley Forge. The 392 studio, one, two and three-bedroom units feature open-concept kitchens with stainless steel appliances and high-end finishes. The complex also offers a resort-style pool, lounge areas and a fitness center.

At the King of Prussia Mall, the owner, Simon Property Group, Inc. has invested approximately \$25M in upgrades to the section of the mall formerly known as the "Plaza." Improvements included replacing tiles, handrails and light fixtures, adding soft seating to corridors and renovating restrooms.

## UPPER MERION TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2019

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Steelyard Sports is a state-of-the-art indoor sports complex, bordering the Innovation Renaissance corporate park. Opened in early 2019, Steelyard Sports offers practice and training space for lacrosse, soccer and baseball, as well as adult pickup games.

In regards to tax base and finances, the full value per capita of Upper Merion's tax base (\$174,991) is higher than the US median, and it increased from 2014 to 2018. Also, the median family income of township residents is a very strong 155.5% of the U.S. median level. The cash balance as a percent of operating revenues (54.9%) exceeds the U.S. median, and this percentage remained stable from 2014 to 2018. Additionally, the fund balance as a percent of operating revenues (55.1%) is materially higher than that of other Moody's-rated cities nationwide.

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

#### Strengths:

Healthy, consistent reserve levels.

Large, diverse tax base with continued development.

No Other Post Employment Benefit (OPEB) liability.

Modest debt burden.

#### Challenges:

Reliance on economically sensitive revenues (business tax and real estate transfer tax).

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, 2019**

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#### **Next Year's Budget**

The 2020 budget continues to be a conservative spending plan; and, as per the Board of Supervisor's budget guidelines, it contains an increase of 8.9% over the 2019 adopted budget. The Township's plan in the 2020 budget was to continue to provide high quality services in the most cost effective and efficient manner possible. However, the Covid-19 pandemic has created new challenges that were unforeseen. At this time, Upper Merion Township cannot fully measure the operation and financial impact to the township's finances. The Township has taken steps to curtail spending in both operational and capital funds as well taking steps to re-state the measurable operating revenues lost during the red and yellow phase shutdown of the Commonwealth of Pennsylvania. Dialogue has also been opened with key business partners within the Township, to include the King of Prussia Mall and Valley Forge Casino, to continue to measure the issues brought on by the global pandemic. The Township's intent is to keep reserve levels strong by continuing to conservatively monitor the budget during this time of crisis and uncertainty.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. If you have questions about this report or to request additional financial information (to include component units), please contact the Director of Finance and Administration at 175 West Valley Forge Road, King of Prussia, PA 19406.

## **BASIC FINANCIAL STATEMENTS**



**UPPER MERION TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Sanitary and Stormwater Authority	Transportation Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,101,829	\$ 9,356,628	\$ 30,458,457	\$ 4,074,578	\$ 477,099
Investments	17,230,443	6,107,623	23,338,066	6,272,619	871,942
Receivables, net	1,867,430	2,539,962	4,407,392	1,029	46,021
Internal balances	(18,106)	18,106	-	-	-
Due from Transportation Authority	21,581	-	21,581	-	-
Due from Sanitary and Stormwater Authority	-	67,960	67,960	-	-
Prepaid expenses	814,008	-	814,008	-	-
Capital assets					
Library books	2,789,384	-	2,789,384	-	-
Land	21,486,258	-	21,486,258	-	-
Land improvements	16,253,450	8,145	16,261,595	-	-
Buildings and improvements	23,984,678	10,851,665	34,836,343	56,454,665	-
Furniture and equipment	8,360,166	6,046,796	14,406,962	-	-
Automobiles and trucks	12,509,267	920,891	13,430,158	-	-
Infrastructure	33,334,804	4,229,884	37,564,688	-	-
Accumulated depreciation	(46,443,080)	(15,871,212)	(62,314,292)	(42,315,377)	-
<b>TOTAL ASSETS</b>	<b>113,292,112</b>	<b>24,276,448</b>	<b>137,568,560</b>	<b>24,487,514</b>	<b>1,395,062</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	395,891	-	395,891	-	-
Deferred outflows of resources, pension activity	971,468	-	971,468	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,367,359</b>	<b>-</b>	<b>1,367,359</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>					
Due to primary government	-	-	-	67,960	21,581
Accounts payable	1,583,638	169,575	1,753,213	5,796	39,965
Accrued salaries and benefits	1,590,657	33,823	1,624,480	-	-
Accrued interest	92,262	-	92,262	-	6,144
Long-term liabilities					
Portion due or payable within one year					
Bonds and notes payable	2,070,000	-	2,070,000	-	363,969
Portion due or payable after one year					
Bonds and notes payable	28,259,483	-	28,259,483	-	745,877
Net pension liability	312,255	-	312,255	-	-
<b>TOTAL LIABILITIES</b>	<b>33,908,295</b>	<b>203,398</b>	<b>34,111,693</b>	<b>73,756</b>	<b>1,177,536</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources, pension activity	7,631,233	-	7,631,233	-	-
<b>NET POSITION</b>					
Net investment in capital assets	46,836,276	6,186,169	53,022,445	15,169,464	-
Restricted for					
Debt service	2,065,528	-	2,065,528	-	-
Capital projects	7,605,689	-	7,605,689	-	-
Streets and highways	1,836,451	-	1,836,451	-	-
Unrestricted	14,775,999	17,886,881	32,662,880	9,244,294	217,526
<b>TOTAL NET POSITION</b>	<b>\$ 73,119,943</b>	<b>\$ 24,073,050</b>	<b>\$ 97,192,993</b>	<b>\$ 24,413,758</b>	<b>\$ 217,526</b>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

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	Sanitary and Stormwater Authority	Transportation Authority
PRIMARY GOVERNMENT									
Governmental activities									
Operating	\$ 6,821,906	\$ 5,058,601	\$ 2,486,085	\$ -	\$ 722,780	\$ -	\$ 722,780	\$ -	\$ -
General government	3,963,190	-	-	-	(3,963,190)	-	(3,963,190)	-	-
Police, health and public safety	16,788,570	1,793,887	333,575	-	(14,661,108)	-	(14,661,108)	-	-
Roads	3,671,003	-	1,501,805	1,508,407	(660,791)	-	(660,791)	-	-
Parks	5,006,920	1,808,098	-	-	(3,198,822)	-	(3,198,822)	-	-
Police and employee pension cost	1,638,509	-	1,574,493	-	(64,016)	-	(64,016)	-	-
Planning and code enforcement	1,071,906	-	-	-	(1,071,906)	-	(1,071,906)	-	-
Interest on long-term debt	940,282	-	-	-	(940,282)	-	(940,282)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	39,902,286	8,660,586	5,895,958	1,508,407	(23,837,335)	-	(23,837,335)	-	-
Business-type activities									
Sewer	6,397,697	8,696,579	-	-	-	2,298,882	2,298,882	-	-
General Authority	203,298	-	-	-	-	(203,298)	(203,298)	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	6,600,995	8,696,579	-	-	-	2,095,584	2,095,584	-	-
TOTAL PRIMARY GOVERNMENT	\$ 46,503,281	\$ 17,357,165	\$ 5,895,958	\$ 1,508,407	(23,837,335)	2,095,584	(21,741,751)	-	-
COMPONENT UNITS									
Sanitary and Stormwater Authority	\$ 1,473,478	\$ 1,505,396	\$ -	\$ -	-	-	-	31,918	-
Transportation Authority	382,902	151,510	-	-	-	-	-	-	(231,392)
TOTAL COMPONENT UNITS	\$ 1,856,380	\$ 1,656,906	\$ -	\$ -	-	-	-	31,918	(231,392)
GENERAL REVENUES									
Property taxes, levied for general purposes					7,294,937	-	7,294,937	-	-
Amusement taxes					403,264	-	403,264	-	-
Business privilege taxes					9,163,256	-	9,163,256	-	-
Local services taxes					2,364,942	-	2,364,942	-	-
Mercantile taxes					4,526,758	-	4,526,758	-	-
Transfer taxes					2,618,641	-	2,618,641	-	-
Public utilities taxes					23,016	-	23,016	-	-
Investment income					777,783	249,607	1,027,390	171,606	47,457
Miscellaneous					597,954	-	597,954	-	-
Gain on sale of assets					63,888	-	63,888	-	-
SPECIAL ITEMS					1,988,489 (1)	-	1,988,489	-	-
TRANSFERS					358,786	(358,786)	-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					30,181,714	(109,179)	30,072,535	171,606	47,457
CHANGE IN NET POSITION					6,344,379	1,986,405	8,330,784	203,524	(183,935)
NET POSITION AT BEGINNING OF YEAR, restated*					66,775,564 *	22,086,645	88,862,209	24,210,234	401,461
NET POSITION AT END OF YEAR					\$ 73,119,943	\$ 24,073,050	\$ 97,192,993	\$ 24,413,758	\$ 217,526

(1) The Township accepted the transfer of assets from Lafayette Ambulance & Rescue Squad as part of an agreement to provide emergency services to the communities previously served by Lafayette Ambulance and Rescue Squad.

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	General Fund	Fire Apparatus Fund	State Highway Aid Fund	Capital Acquisition Fund	General Obligation Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 15,954,889	\$ 698,529	\$ 219,336	\$ 3,156,222	\$ -	\$ 1,072,853	\$ 21,101,829
Investments	2,644,367	2,410,943	1,617,115	4,344,977	4,494,941	1,718,100	17,230,443
Taxes receivable, net	171,863	4,239	-	-	-	13,408	189,510
Due from component unit	21,581	-	-	-	-	-	21,581
Due from other funds	-	-	-	56,186	-	-	56,186
Other receivables	1,623,912	351	-	53,657	-	-	1,677,920
Prepaid items	814,008	-	-	-	-	-	814,008
<b>TOTAL ASSETS</b>	<b>\$ 21,230,620</b>	<b>\$ 3,114,062</b>	<b>\$ 1,836,451</b>	<b>\$ 7,611,042</b>	<b>\$ 4,494,941</b>	<b>\$ 2,804,361</b>	<b>\$ 41,091,477</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 872,235	\$ -	\$ -	\$ 569,407	\$ -	\$ 141,996	\$ 1,583,638
Accrued salaries and benefits	1,590,657	-	-	-	-	-	1,590,657
Due to other funds	74,292	-	-	-	-	-	74,292
<b>TOTAL LIABILITIES</b>	<b>2,537,184</b>	<b>-</b>	<b>-</b>	<b>569,407</b>	<b>-</b>	<b>141,996</b>	<b>3,248,587</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue, property taxes	60,628	3,314	-	-	-	10,522	74,464
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	814,008	-	-	-	-	-	814,008
Restricted for							
Debt service	-	-	-	-	-	2,065,528	2,065,528
Capital projects	-	3,110,748	-	-	4,494,941	-	7,605,689
Streets and highways	-	-	1,836,451	-	-	-	1,836,451
Committed to revenue stabilization	2,000,000	-	-	-	-	-	2,000,000
Assigned to							
Subsequent year's budget	4,852,547	-	-	-	-	-	4,852,547
Contractual commitments	800,330	-	-	-	-	-	800,330
Capital equipment replacement	1,878,857	-	-	7,041,635	-	586,315	9,506,807
Property and liability insurance	1,000,000	-	-	-	-	-	1,000,000
Unassigned	7,287,066	-	-	-	-	-	7,287,066
<b>TOTAL FUND BALANCES</b>	<b>18,632,808</b>	<b>3,110,748</b>	<b>1,836,451</b>	<b>7,041,635</b>	<b>4,494,941</b>	<b>2,651,843</b>	<b>37,768,426</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 21,230,620</b>	<b>\$ 3,114,062</b>	<b>\$ 1,836,451</b>	<b>\$ 7,611,042</b>	<b>\$ 4,494,941</b>	<b>\$ 2,804,361</b>	<b>\$ 41,091,477</b>

*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, 2019

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 37,768,426

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	2,789,384
Land	21,486,258
Land improvements	16,253,450
Buildings and improvements	23,984,678
Furniture and equipment	8,360,166
Automobiles and trucks	12,509,267
Infrastructure	33,334,804
Accumulated depreciation	(46,443,080)

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	(92,262)
Bonds and notes payable	(29,670,000)
Bond discounts and premiums	(659,483)
Net pension liability	(312,255)
Deferred amount on refunding	395,891

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.

(6,659,765)

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.

74,464

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 73,119,943

*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, 2019**

	General Fund	Fire Apparatus Fund	State Highway Aid Fund	Capital Acquisition Fund	General Obligation Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 24,895,727	\$ 369,025	\$ 846,121	\$ -	\$ -	\$ 1,185,728	\$ 27,296,601
Grants	4,413,368	-	-	636,469	-	-	5,049,837
Fines	361,071	-	-	-	-	-	361,071
Investment income	359,835	69,506	38,760	131,343	113,830	64,509	777,783
Permits and fees	4,697,667	-	-	-	-	-	4,697,667
Reimbursements	1,380,719	-	-	-	-	-	1,380,719
Parks and recreation	1,808,098	-	-	-	-	-	1,808,098
Ambulance	675,002	-	-	-	-	-	675,002
Miscellaneous	335,983	-	-	-	-	-	335,983
<b>TOTAL REVENUES</b>	<b>38,927,470</b>	<b>438,531</b>	<b>884,881</b>	<b>767,812</b>	<b>113,830</b>	<b>1,250,237</b>	<b>42,382,761</b>
<b>EXPENDITURES</b>							
Current							
Operating	6,679,207	-	-	-	-	-	6,679,207
General government	3,215,272	-	-	-	-	-	3,215,272
Police, EMS, health and public safety	15,724,658	-	-	-	-	-	15,724,658
Roads	2,038,898	-	107,354	-	-	-	2,146,252
Parks	4,117,802	-	-	-	-	-	4,117,802
Police and employee pension cost	2,462,596	-	-	-	-	-	2,462,596
Planning and code enforcement	1,044,297	-	-	-	-	-	1,044,297
Debt service							
Interest	-	-	-	-	-	788,372	788,372
Principal	-	-	-	-	4,170	2,025,830	2,030,000
Bond issue costs	-	-	-	-	125,946	-	125,946
Capital outlay	-	-	-	5,165,349	-	-	5,165,349
<b>TOTAL EXPENDITURES</b>	<b>35,282,730</b>	<b>-</b>	<b>107,354</b>	<b>5,165,349</b>	<b>130,116</b>	<b>2,814,202</b>	<b>43,499,751</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,644,740</b>	<b>438,531</b>	<b>777,527</b>	<b>(4,397,537)</b>	<b>(16,286)</b>	<b>(1,563,965)</b>	<b>(1,116,990)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Issuance of refunding bonds	-	-	-	-	9,600,000	-	9,600,000
Payment to refunded bond escrow agent	-	-	-	-	(9,867,011)	-	(9,867,011)
Bond premium	-	-	-	-	397,127	-	397,127
Proceeds from sale of capital assets	63,888	-	-	-	-	-	63,888
Transfers in	235,898	-	-	5,238,001	7,657	2,612,316	8,093,872
Transfers out	(3,459,351)	(569,022)	-	(888,439)	(1,260,120)	(1,580,913)	(7,757,845)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,159,565)</b>	<b>(569,022)</b>	<b>-</b>	<b>4,349,562</b>	<b>(1,122,347)</b>	<b>1,031,403</b>	<b>530,031</b>
<b>NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM</b>	<b>485,175</b>	<b>(130,491)</b>	<b>777,527</b>	<b>(47,975)</b>	<b>(1,138,633)</b>	<b>(532,562)</b>	<b>(586,959)</b>
Special Item	-	-	-	1,988,489 (1)	-	-	1,988,489
<b>NET CHANGE IN FUND BALANCES</b>	<b>485,175</b>	<b>(130,491)</b>	<b>777,527</b>	<b>1,940,514</b>	<b>(1,138,633)</b>	<b>(532,562)</b>	<b>1,401,530</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, restated*</b>	<b>18,147,633</b>	<b>3,241,239</b>	<b>1,058,924</b>	<b>5,101,121</b>	<b>5,633,574</b>	<b>3,184,405</b>	<b>36,366,896</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 18,632,808</b>	<b>\$ 3,110,748</b>	<b>\$ 1,836,451</b>	<b>\$ 7,041,635</b>	<b>\$ 4,494,941</b>	<b>\$ 2,651,843</b>	<b>\$ 37,768,426</b>

(1) The Township accepted the transfer of assets from Lafayette Ambulance & Rescue Squad as part of an agreement to provide emergency services to the communities previously served by Lafayette Ambulance and Rescue Squad.

*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, 2019

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,401,530
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 capital outlays (\$6,407,179) exceeds depreciation (\$4,106,671) in the current period.	2,300,508
Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	(55,666)
Borrowing of long-term debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net position.	(9,600,000)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	11,880,000
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.	(381,644)
Net pension liability and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.	824,087
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>(24,436)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>6,344,379</u></u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	Enterprise Funds		
	Sewer Revenue Fund	General Authority	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,329,641	\$ 26,987	\$ 9,356,628
Investments	6,107,623	-	6,107,623
Receivables	2,539,962	-	2,539,962
Due from other funds	18,106	-	18,106
Due from Sanitary and Stormwater Authority	67,960	-	67,960
TOTAL CURRENT ASSETS	<u>18,063,292</u>	<u>26,987</u>	<u>18,090,279</u>
CAPITAL ASSETS			
Property and equipment	13,985,213	8,072,168	22,057,381
Accumulated depreciation	<u>(9,747,829)</u>	<u>(6,123,383)</u>	<u>(15,871,212)</u>
TOTAL CAPITAL ASSETS	<u>4,237,384</u>	<u>1,948,785</u>	<u>6,186,169</u>
TOTAL ASSETS	<u>22,300,676</u>	<u>1,975,772</u>	<u>24,276,448</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	169,575	-	169,575
Accrued salaries and benefits	<u>33,823</u>	<u>-</u>	<u>33,823</u>
TOTAL CURRENT LIABILITIES	<u>203,398</u>	<u>-</u>	<u>203,398</u>
NET POSITION			
Net investment in capital assets	4,237,384	1,948,785	6,186,169
Unrestricted	<u>17,859,894</u>	<u>26,987</u>	<u>17,886,881</u>
TOTAL NET POSITION	<u>\$ 22,097,278</u>	<u>\$ 1,975,772</u>	<u>\$ 24,073,050</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, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Revenue Fund	General Authority	
OPERATING REVENUES			
Charges for services	\$ 8,544,623	\$ -	\$ 8,544,623
Penalties	81,203	-	81,203
Other	70,753	-	70,753
TOTAL OPERATING REVENUES	<u>8,696,579</u>	<u>-</u>	<u>8,696,579</u>
OPERATING EXPENSES			
Administrative	1,347,239	-	1,347,239
Accounting	-	2,772	2,772
Trout Run treatment plant	1,419,352	-	1,419,352
Pumping stations	1,289,708	-	1,289,708
Matsunk treatment plant	1,327,962	-	1,327,962
Contingencies	153,198	-	153,198
Depreciation	860,238	200,526	1,060,764
Reimbursement to Upper Merion Township	-	22,759	22,759
TOTAL OPERATING EXPENSES	<u>6,397,697</u>	<u>226,057</u>	<u>6,623,754</u>
OPERATING INCOME (LOSS)	<u>2,298,882</u>	<u>(226,057)</u>	<u>2,072,825</u>
NONOPERATING REVENUES			
Earnings on investments	<u>248,698</u>	<u>909</u>	<u>249,607</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	2,547,580	(225,148)	2,322,432
INTERFUND TRANSFERS	<u>(336,027)</u>	<u>-</u>	<u>(336,027)</u>
CHANGE IN NET POSITION	2,211,553	(225,148)	1,986,405
NET POSITION AT BEGINNING OF YEAR	<u>19,885,725</u>	<u>2,200,920</u>	<u>22,086,645</u>
NET POSITION AT END OF YEAR	<u>\$ 22,097,278</u>	<u>\$ 1,975,772</u>	<u>\$ 24,073,050</u>

*See accompanying notes to the basic financial statements.*



**UPPER MERION TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds		Total Proprietary Funds
	Sewer Revenue Fund	General Authority	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 8,401,661	\$ -	\$ 8,401,661
Payments to employees	(1,860,319)	-	(1,860,319)
Payments to suppliers	(3,635,093)	(2,772)	(3,637,865)
Payments to Upper Merion Township	-	(22,759)	(22,759)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,906,249	(25,531)	2,880,718
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(336,027)	-	(336,027)
Due from other funds	(150,273)	-	(150,273)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(486,300)	-	(486,300)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition, construction and improvements of capital assets	(645,091)	-	(645,091)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(2,122,416)	-	(2,122,416)
Earnings on investments	248,698	909	249,607
NET CASH PROVIDED (USED) BY INVESTING	(1,873,718)	909	(1,872,809)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(98,860)	(24,622)	(123,482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,428,501	51,609	9,480,110
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,329,641</u>	<u>\$ 26,987</u>	<u>\$ 9,356,628</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 2,298,882	\$ (226,057)	\$ 2,072,825
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	860,238	200,526	1,060,764
(Increase) decrease in			
Receivables	(294,918)	-	(294,918)
Due from Sanitary and Stormwater Authority	15,646	-	15,646
Prepaid expenses	12,800	-	12,800
Increase (decrease) in			
Accounts payable	8,250	-	8,250
Accrued salaries and benefits	5,351	-	5,351
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,906,249</u>	<u>\$ (25,531)</u>	<u>\$ 2,880,718</u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	<u>Pension Trust Funds</u>	<u>Custodial Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 1,777,016
Investments, at fair value		
Certificates of deposit	684,097	-
Corporate bonds	11,105,812	-
Equity stocks and options	52,837,105	-
Money market funds	4,167,224	-
Mortgages	996,210	-
Mutual funds	10,331,895	-
U.S. government obligations	7,530,339	-
Receivables		
Accrued income	146,028	-
Prepaid DROP pension payments	12,475	-
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>87,811,185</u>	\$ <u>1,777,016</u>
<b>NET POSITION</b>		
Net position restricted for pensions	\$ 87,811,185	\$ -
Net position restricted for custodial purposes	<u>-</u>	<u>1,777,016</u>
	<u>                    </u>	<u>                    </u>
TOTAL NET POSITION	\$ <u>87,811,185</u>	\$ <u>1,777,016</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, 2019**

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 944,362	\$ -
Employee	668,284	-
Commonwealth	1,244,281	-
Developers	-	251,670
TOTAL CONTRIBUTIONS	<u>2,856,927</u>	<u>251,670</u>
Investment income		
Net depreciation in fair value of investments	16,881,273	-
Interest income	539,698	20,466
Dividend income	352,692	-
TOTAL INVESTMENT INCOME	<u>17,773,663</u>	<u>20,466</u>
Investment expenses	<u>(312,985)</u>	<u>-</u>
INVESTMENT INCOME, net	<u>17,460,678</u>	<u>20,466</u>
Other income		
Pension rollover	<u>21,537</u>	<u>-</u>
TOTAL ADDITIONS	<u>20,339,142</u>	<u>272,136</u>
<b>DEDUCTIONS</b>		
Pension payments	3,768,175	-
Administrative expenses	17,035	-
Escrows returned	-	26,550
Payments for professional services	-	172,814
TOTAL DEDUCTIONS	<u>3,785,210</u>	<u>199,364</u>
CHANGE IN NET POSITION	16,553,932	72,772
NET POSITION AT BEGINNING OF YEAR, restated*	<u>71,257,253</u>	<u>1,704,244</u>
NET POSITION AT END OF YEAR	<u>\$ 87,811,185</u>	<u>\$ 1,777,016</u>

*See accompanying notes to the basic financial statements.*

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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.

The Upper Merion Township Police Pension Plan is a single-employer, defined benefit pension plan covering the Upper Merion Township full-time police officers. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and a copy of the component unit's financial statements can be obtained from the Township's Finance Department.

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. Although the plan is a legally separate entity it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of the Township. The plan is reported as a fiduciary fund and a copy of the component unit's financial statements can be obtained from the Township's Finance Department.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Discretely Presented Component Units*** - Upper Merion Sanitary and Stormwater Authority (the "Sanitary and Stormwater 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 Sanitary and Stormwater 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 Sanitary and Stormwater Authority. The Township has the responsibility for daily operations through a leaseback arrangement with the Sanitary and Stormwater 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 Sanitary and Stormwater Authority. The primary government will provide additional subsidies to support the Sanitary and Stormwater 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.

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 government-wide 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.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 *State Highway Aid Fund* (a Special Revenue 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.

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

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

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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. Included in these funds are 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 *Custodial Fund* accounts for assets held by the Township in a trustee capacity or as an agent on behalf of others. The Custodial 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; and funds deposited in regard to the protest of taxes paid on real property pending an assessment appeal. The Custodial 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.



**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The *Proprietary Fund* distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Revenue Fund are charges to customers for sales and services. Operating expenses of the Sewer Revenue Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Deposits and Investments**

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

Statutes authorize the Township and its component units to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits.

The Township and its Component Units has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**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 acquisition value.

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.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 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.

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.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**Real Estate Tax Calendar and Reserve**

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

**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 two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide statement 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. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 two items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are 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. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments.

**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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **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.
- **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 General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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, 2019, \$500,000 of the Township's bank balance of \$32,117,977 was insured by the FDIC. Of the remaining \$31,617,977, \$24,328,819 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, \$7,289,158 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, 2019, \$750,058 of the component unit's bank balance of \$4,556,004 was insured by the FDIC. \$1,083,942 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. The remaining \$2,722,004 was invested in state investment pools, which is uninsured and uncollateralized.

**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, 2019, the primary government had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Investment Maturities</u>
		<u>Less Than One Year</u>
State investment pools	\$ <u>23,338,066</u>	\$ <u>23,338,066</u>

A portion of the Township's investments is in the PLGIT and PSDLAF programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT and PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2019, is \$23,338,066.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The Township had \$1,584,937 invested in a PSDLAF MAX account at December 31, 2019. This investment incurs a penalty if funds, other than state aid, are withdrawn within 14 days of deposit. The Township had \$21,753,129 invested in PLGIT I-Class and PRIME accounts at December 31, 2019. These investments limit redemptions or exchanges to two per calendar month.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE B - CASH AND INVESTMENTS (Continued)**

These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis. State investment pools are subject to oversight by the State Treasurer, although they are not registered with the SEC. Investments held with qualifying external state investment pools are valued at amortized costs in accordance with GASB Statement No. 79.

As of December 31, 2019, the component units had the following investments:

Investment Type	Amortized Cost	Investment Maturities Less Than One Year
State investment pools	\$ 2,149,561	\$ 2,149,561
Certificates of deposit	4,995,000	4,995,000
	<u>\$ 7,144,561</u>	<u>\$ 7,144,561</u>

A portion of the Township's component units' investments is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2019, is \$2,149,561. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized costs in accordance with GASB Statement No. 79.

Certificates of deposit held by banks of \$4,995,000 are stated at cost plus interest earned.

As of December 31, 2019, 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	More than 10 Years
Corporate bonds	\$ 11,105,812	\$ 4,335,436	\$ 4,802,120	\$ 1,324,161	\$ 644,095
Certificates of deposit	684,097	226,114	457,983	-	-
Equity stocks and options	52,837,105	52,837,105	-	-	-
Money market funds	4,167,224	4,167,224	-	-	-
Mortgages	996,210	-	-	996,210	-
Mutual funds	10,331,895	10,331,895	-	-	-
US Government notes	7,530,339	6,021,837	1,508,502	-	-
	<u>\$ 87,652,682</u>	<u>\$ 77,919,611</u>	<u>\$ 6,768,605</u>	<u>\$ 2,320,371</u>	<u>\$ 644,095</u>

**NOTE B - CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement** - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township's Pension Trust Fund investments are level 1 investments.

**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).
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.



**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

***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, 2019, the primary government's investment in the state investment pool was rated AAAm by Standard & Poor's. At December 31, 2019, \$1,496,590 (13.48%), \$1,300,655 (11.71%), \$3,486,898 (31.40%), and \$3,345,243 (30.12%) of the Police Pension Plan corporate bonds were rated, AAA, AA, A, and BAA respectively, by Morningstar. At December 31, 2019, \$1,476,426 (13.29%) of the corporate bonds from the Non-Uniform Pension Plan were unrated. 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 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; and funds deposited in regard to the protest of taxes paid on real property pending an assessment appeal. Any unused deposits are returned to the payer upon completion of the projects or settlement of the protest. At December 31, 2019, \$1,777,016 represents the balance of these monies held in escrow.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE C - RECEIVABLES**

Receivables are comprised of the following:

	Primary Government						Component Units	
	Governmental Funds					Proprietary Fund	Sanitary and Stormwater Authority	Transportation Authority
	General Fund	Fire Apparatus Fund	Capital Acquisition Fund	Other Governmental Funds	Total Governmental Funds	Sewer Revenue Fund		
							Totals	
Real estate taxes	\$ 171,863	\$ 4,239	\$ -	\$ 13,408	\$ 189,510	\$ -	\$ 189,510	\$ -
Other taxes and fees	1,457,319	-	53,657	-	1,510,976	-	1,510,976	-
Other	-	-	-	-	-	-	-	1,029
Grants	-	-	-	-	-	-	-	46,021
Sewer receivable	-	-	-	-	-	2,539,962	2,539,962	-
Cable television	166,593	-	-	-	166,593	-	166,593	-
Interest	-	351	-	-	351	-	351	-
	<u>\$ 1,795,775</u>	<u>\$ 4,590</u>	<u>\$ 53,657</u>	<u>\$ 13,408</u>	<u>\$ 1,867,430</u>	<u>\$ 2,539,962</u>	<u>\$ 4,407,392</u>	<u>\$ 46,021</u>

**Grant Receivable - Component Unit**

As part of the ongoing participation in the Federal Aid Highway Program for the Route 23 and Route 422 Transportation Studies, the Authority is reimbursed by federal, state, and local governments. As of December 31, 2019, the Transportation Authority was due \$46,021.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2019, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Revenue Fund	General Fund	\$ 18,106
Capital Acquisition Fund	General Fund	56,186
		<u>\$ 74,292</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>General Obligation Fund</u>	<u>Sewer Revenue Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 1,175,714	\$ -	\$ -	\$ 2,283,637	\$ 3,459,351
Fire Apparatus Fund	-	569,022	-	-	-	569,022
Capital Acquisition Fund	39,708	-	7,657	755,245	85,829	888,439
General Obligation Fund	-	1,260,120	-	-	-	1,260,120
Other Governmental Funds	-	1,580,913	-	-	-	1,580,913
Sewer Revenue Fund	196,190	652,232	-	-	242,850	1,091,272
	<u>\$ 235,898</u>	<u>\$ 5,238,001</u>	<u>\$ 7,657</u>	<u>\$ 755,245</u>	<u>\$ 2,612,316</u>	<u>\$ 8,849,117</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE D - INTERFUND RECEIVABLES AND PAYABLES (Continued)**

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, 2019**

**NOTE E - CAPITAL ASSETS (Continued)**

**Primary Government**

Capital asset activity of the primary government for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 21,009,098	\$ 477,160	\$ -	\$ 21,486,258
Infrastructure	12,770,076	-	-	12,770,076
<b>TOTAL CAPITAL ASSETS     NOT BEING DEPRECIATED</b>	<b>33,779,174</b>	<b>477,160</b>	<b>-</b>	<b>34,256,334</b>
Capital assets being depreciated				
Library books	2,515,137	274,247	-	2,789,384
Land improvements	15,190,931	1,062,519	-	16,253,450
Buildings and improvements	23,748,497	236,181	-	23,984,678
Furniture and equipment	7,127,535	1,253,630	(20,999)	8,360,166
Automobiles and trucks	12,115,919	834,864	(441,515)	12,509,268
Infrastructure	18,296,150	2,268,578	-	20,564,728
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED</b>	<b>78,994,169</b>	<b>5,930,019</b>	<b>(462,514)</b>	<b>84,461,674</b>
Accumulated depreciation				
Library books	(2,472,636)	(53,065)	-	(2,525,701)
Land improvements	(10,795,140)	(825,069)	-	(11,620,209)
Buildings and improvements	(7,154,867)	(1,165,443)	-	(8,320,310)
Furniture and equipment	(5,116,416)	(557,915)	20,999	(5,653,332)
Automobiles and trucks	(9,072,453)	(812,461)	441,515	(9,443,399)
Infrastructure	(8,187,412)	(692,718)	-	(8,880,130)
<b>TOTAL ACCUMULATED     DEPRECIATION</b>	<b>(42,798,924)</b>	<b>(4,106,671)</b>	<b>462,514</b>	<b>(46,443,081)</b>
<b>TOTAL CAPITAL ASSETS BEING     DEPRECIATED, net</b>	<b>36,195,245</b>	<b>1,823,348</b>	<b>-</b>	<b>38,018,593</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 69,974,419</b>	<b>\$ 2,300,508</b>	<b>\$ -</b>	<b>\$ 72,274,927</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Land improvements	\$ 8,145	\$ -	\$ -	\$ 8,145
Buildings and improvements	10,789,309	62,356	-	10,851,665
Furniture and equipment	5,831,749	215,047	-	6,046,796
Automobiles and trucks	915,333	57,206	(51,648)	920,891
Infrastructure	3,919,402	310,482	-	4,229,884
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED</b>	<b>21,463,938</b>	<b>645,091</b>	<b>(51,648)</b>	<b>22,057,381</b>
Accumulated depreciation				
Land improvements	(8,145)	-	-	(8,145)
Buildings and improvements	(8,541,697)	(248,680)	-	(8,790,377)
Furniture and equipment	(3,512,420)	(497,302)	-	(4,009,722)
Automobiles and trucks	(747,676)	(88,898)	51,648	(784,926)
Infrastructure	(2,052,158)	(225,884)	-	(2,278,042)
<b>TOTAL ACCUMULATED     DEPRECIATION</b>	<b>(14,862,096)</b>	<b>(1,060,764)</b>	<b>51,648</b>	<b>(15,871,212)</b>
<b>BUSINESS-TYPE ACTIVITIES     CAPITAL ASSETS, net</b>	<b>\$ 6,601,842</b>	<b>\$ (415,673)</b>	<b>\$ -</b>	<b>\$ 6,186,169</b>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE E - CAPITAL ASSETS (Continued)**

**Discretely Presented Component Units**

Capital asset activity for the Sanitary and Stormwater Authority for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and improvements	\$ 56,150,061	\$ 304,604	\$ -	\$ 56,454,665
Accumulated depreciation	<u>(40,980,597)</u>	<u>(1,334,780)</u>	<u>-</u>	<u>(42,315,377)</u>
CAPITAL ASSETS BEING DEPRECIATED, net	<u>\$ 15,169,464</u>	<u>\$ (1,030,176)</u>	<u>\$ -</u>	<u>\$ 14,139,288</u>

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

**GOVERNMENTAL ACTIVITIES**

Operating	\$ 98,301
General government	746,633
Police, health and public safety	889,184
Roads	1,504,479
Parks	847,362
Planning and code enforcement	<u>20,712</u>
	<u>\$ 4,106,671</u>

**BUSINESS-TYPE ACTIVITIES**

Sewer	\$ 860,238
General Authority	<u>200,526</u>
	<u>\$ 1,060,764</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE F - BONDED DEBT AND NOTES PAYABLE**

Bonded debt and note payable of the primary government at December 31, 2019, are comprised of the following:

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%	\$ 3,115,000
General Obligation Bonds, Series of 2014, \$10,000,000 due in annual principal installments ranging from \$5,000 to \$990,000 through December 1, 2034, interest rate is variable from 2.00% to 4.00%	125,000
General Obligation Bonds, Series of 2016, \$8,210,000 due in annual principal installments ranging from \$10,000 to \$695,000 through December 1, 2032, interest rate is variable from 2.00% to 3.00%	7,615,000
General Obligation Bonds, Series of 2017, \$9,965,000 due in annual principal installments ranging from \$240,000 to \$655,000 through December 1, 2037, interest rate is variable from 1.25% to 3.125%	9,220,000
General Obligation Bonds, Series of 2019, 9,600,000 due in annual principal installments ranging from \$5,000 to \$940,000 through December 1, 2037, interest rate is variable from 2.00% to 4.00%	<u>9,595,000</u>
	<u>\$ 29,670,000</u>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE F - BONDED DEBT AND NOTES PAYABLE (Continued)**

The annual requirements to amortize all debt outstanding of the primary government as of December 31, 2019, including interest payments, are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2020	\$ 2,070,000	\$ 1,074,710
2021	2,105,000	1,027,310
2022	2,160,000	976,755
2023	2,080,000	928,093
2024	1,915,000	552,328
2025 - 2029	9,855,000	2,018,474
2030 - 2034	8,310,000	837,491
2035 - 2037	1,175,000	74,219
	<u>\$ 29,670,000</u>	<u>\$ 7,489,379</u>

Bank loans and notes payable of the discretely presented component units at December 31, 2019, are comprised of the following:

**Transportation Authority**

The annual requirements to amortize all debt outstanding of the discretely presented component units as of December 31, 2019, including interest payments, are as follows:

Year Ending December 31,	Transportation Authority	
	Principal	Interest
2020	\$ 363,969	\$ 18,084
2021	369,933	12,121
2022	375,944	6,109
	<u>\$ 1,109,846</u>	<u>\$ 36,314</u>



**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

During the year ended December 31, 2019, 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 2013	\$ 4,045,000	\$ -	\$ (930,000)	\$ 3,115,000	\$ 955,000
Series of 2014	9,980,000	-	(9,855,000)	125,000	5,000
Series of 2016	8,200,000	-	(585,000)	7,615,000	595,000
Series of 2017	9,725,000	-	(505,000)	9,220,000	510,000
Series of 2019	-	9,600,000	(5,000)	9,595,000	5,000
Deferred amounts					
Issuance discount	(68,126)	-	68,126	-	-
Issuance premium	<u>316,517</u>	<u>397,127</u>	<u>(54,161)</u>	<u>659,483</u>	<u>-</u>
TOTAL BONDS	32,198,391	9,997,127	(11,866,035)	30,329,483	2,070,000
Net pension liability	<u>8,492,718</u>	<u>-</u>	<u>(8,180,463)</u>	<u>312,255</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	\$ <u>40,691,109</u>	\$ <u>9,997,127</u>	\$ <u>(20,046,498)</u>	\$ <u>30,641,738</u>	\$ <u>2,070,000</u>

The liability for pension-related debt will be funded by the general fund.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE G - CHANGES IN LONG-TERM LIABILITIES (Continued)**

On May 16, 2019, the Township issued General Obligation Bonds, Series of 2019, in the amount of \$9,600,000 for the purpose of currently refunding a portion of the Township's General Obligation Bonds, Series of 2014 and paying the costs to issue the bonds. The new issue will decrease debt service payments for the Township by \$808,338 with an economic gain of \$647,580.

There were no compensated absences to be accrued as of December 31, 2019 and 2018.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
DISCRETELY PRESENTED COMPONENT UNITS					
Transportation Authority					
PA Infrastructure bank loan	\$ <u>1,468,044</u>	\$ <u>-</u>	\$ <u>(358,198)</u>	\$ <u>1,109,846</u>	\$ <u>363,969</u>

**NOTE H - 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, 2019, the Township has defeased debt outstanding of \$13,625,000.

**NOTE I - 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.

**UPPER MERION TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE J - 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 2019 were \$602,032 (Township) and \$315,990 (employees). Total annual covered payroll for 2019 was \$10,452,319.

**Police Pension Plan (Defined Benefit)**

**Summary of Significant Accounting Policies**

**Method Used to Value Investments** - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Plan Administration** - 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 was established effective September 5, 1969 and was restated by Ordinance No. 2003-727, as amended effective January 1, 2003. The plan is governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage plan assets to DF Dent and Company, Inc.

**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** - As of December 31, 2019, membership consisted of the following:

Inactive plan members currently receiving benefits	55
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>69</u>
<b>TOTAL MEMBERSHIP</b>	<u><u>126</u></u>

**UPPER MERION TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE J - PENSION PLANS (Continued)**

**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.

As a condition of participation, full-time employees are required to contribute 4% of compensation to the plan. This contribution is governed by the plan's ordinances and collective bargaining agreement.

**Investment Policy Summary** - The plan's investment policy in regard to allocation of invested assets is established and may be amended by the Township Board of Supervisors and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal investment policy statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The plan's investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities large cap	29%
Domestic equities mid/small cap	37%
Real estate	2%
International stocks	2%
Bonds	30%
Cash	0%
	<u>100%</u>

**Concentration of Credit Risk** - As of December 31, 2019, no investment in any one organization represented 5% or more of the plan's fiduciary net position.

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 26.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - PENSION PLANS (Continued)**

**Net Pension Liability of the Township**

The components of the net pension liability of the plan as of December 31, 2019, were as follows:

Total pension liability	\$ 63,971,421
Plan fiduciary net position	<u>(63,659,166)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u>312,255</u></b>
 Plan fiduciary net position as a percentage of the total pension liability	  <u>99.5%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.875%

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA.

The long-term expected rate of return on the plan's investments was determined as stated in the plan's investment policy statement in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities large cap	9.00%
Domestic equities mid/small cap	10.05%
Real estate	7.00%
International stocks	7.00%
Bonds	1.00%
Cash	0.00%

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - PENSION PLANS (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Based upon the plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

***Changes in the Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
BALANCE AT DECEMBER 31, 2018	\$ 59,766,566	\$ 51,273,848	\$ 8,492,718
Changes for the year			
Service cost	1,489,861	-	1,489,861
Interest	4,781,227	-	4,781,227
Differences between expected and actual experience	148,990	-	148,990
Changes of assumptions	832,372	-	832,372
Contributions			
Employer	-	342,330	(342,330)
State aid	-	1,244,281	(1,244,281)
Member	-	352,294	(352,294)
Net investment income	-	13,511,043	(13,511,043)
Benefit payments	(3,047,595)	(3,047,595)	-
Administrative expense	-	(17,035)	17,035
NET CHANGES	4,204,855	12,385,318	(8,180,463)
BALANCE AT DECEMBER 31, 2019	\$ 63,971,421	\$ 63,659,166	\$ 312,255

***Changes in Assumptions*** - In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA. The 2019, the interest rate assumption was lowered from 8% to 7.875% per annum.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - PENSION PLANS (Continued)**

**Net Pension Liability Sensitivity** - The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.875% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.875%) or one percentage point higher (8.875%) than the current rate.

	1% Decrease (6.875%)	Current Discount Rate (7.875%)	1% Increase (8.875%)
Net pension liability	\$ <u>8,026,423</u>	\$ <u>312,255</u>	\$ <u>(6,155,633)</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended December 31, 2019, the Township recognized pension expense of \$762,524. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 21,295
Changes in assumptions	971,468	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>7,609,938</u>
<b>TOTALS</b>	<b>\$ <u>971,468</u></b>	<b>\$ <u>7,631,233</u></b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending December 31,	
2020	\$ (1,815,298)
2021	(2,064,847)
2022	(1,303,684)
2023	(1,803,058)
2024	130,848
Thereafter	196,274

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - COMBINING SCHEDULES OF FIDUCIARY FUNDS**

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

	Police Pension Fund	Non-Uniform Pension Fund	Total Fiduciary Funds
<b>ASSETS</b>			
Investments, at fair value			
Certificates of deposit	\$ 684,097	\$ -	\$ 684,097
Corporate bonds	9,629,386	1,476,426	11,105,812
Equity stocks and options	44,092,510	8,744,595	52,837,105
Money market funds	568,121	3,599,103	4,167,224
Mortgages	996,210	-	996,210
Mutual funds	-	10,331,895	10,331,895
U.S. Government obligations	7,530,339	-	7,530,339
Receivables			
Accrued income	146,028	-	146,028
payments	12,475	-	12,475
<b>TOTAL ASSETS</b>	<b>\$ 63,659,166</b>	<b>\$ 24,152,019</b>	<b>\$ 87,811,185</b>
<b>NET POSITION</b>			
Held in trust for pension benefits	\$ 63,659,166	\$ 24,152,019	\$ 87,811,185



**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - COMBINING SCHEDULES OF FIDUCIARY FUNDS (Continued)**

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

	Police Pension Fund	Non-Uniform Pension Fund	Total Fiduciary Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 342,330	\$ 602,032	\$ 944,362
Employee	352,294	315,990	668,284
Commonwealth	1,244,281	-	1,244,281
<b>TOTAL CONTRIBUTIONS</b>	<b>1,938,905</b>	<b>918,022</b>	<b>2,856,927</b>
Investment income			
Net appreciation in fair value of investments	12,924,388	3,956,885	16,881,273
Interest income	539,698	-	539,698
Dividend income	352,692	-	352,692
<b>TOTAL INVESTMENT         INCOME</b>	<b>13,816,778</b>	<b>3,956,885</b>	<b>17,773,663</b>
Investment expenses	(305,735)	(7,250)	(312,985)
<b>INVESTMENT INCOME</b>	<b>13,511,043</b>	<b>3,949,635</b>	<b>17,460,678</b>
Other income			
Pension rollover	-	21,537	21,537
<b>TOTAL ADDITIONS</b>	<b>15,449,948</b>	<b>4,889,194</b>	<b>20,339,142</b>
<b>DEDUCTIONS</b>			
Benefit payments	3,047,595	720,580	3,768,175
Administrative expenses	17,035	-	17,035
<b>TOTAL DEDUCTIONS</b>	<b>3,064,630</b>	<b>720,580</b>	<b>3,785,210</b>
<b>CHANGE IN NET POSITION</b>	<b>12,385,318</b>	<b>4,168,614</b>	<b>16,553,932</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>51,273,848</b>	<b>19,983,405</b>	<b>71,257,253</b>
<b>NET POSITION AT END         OF YEAR</b>	<b>\$ 63,659,166</b>	<b>\$ 24,152,019</b>	<b>\$ 87,811,185</b>

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE L - DEFERRED COMPENSATION PLAN**

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

**NOTE M - SEWER ACCESS RIGHTS**

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

**NOTE N - COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Authority Agreement**

The Transportation Authority has entered into an agreement to participate in a Federal Aid Highway Program for various transportation studies. Under the terms of the reimbursement agreement, the Transportation Authority agreed to participate in the studies.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)**

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

	Totals	Federal		Share of Costs		Authority	
				State and County			
TRANSPORTATION STUDY							
S.R. 3051 Section C22 Multi-Use Trail Bridge over the Schuylkill River Project 164046-B	\$ 11,961,000	\$ 11,961,000	100%	\$ -	0%	\$ -	0%
S.R. Section 2NG North Gulph Road Project 164228	1,250,000	1,000,000	80%	250,000	20%	-	0%
East Church Road Bridge over SEPTA Project 064130-C	906,000	724,800	80%	135,900	15%	45,300 *	5%

\* Note - The local share for the East Church Road Bridge over SEPTA Project 064130-C is shared as 2.5% Authority and 2.5% Montgomery County.

The total costs of the projects incurred through December 31, 2019, were \$6,655,414.

**Contingent Liabilities**

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

**Leases and Management Agreements**

The Township leases certain facilities from the General Authority without any financial obligations between the Authority and the Township. The Authority will remain in place for any future capital projects that may be deemed necessary.

During 1986, the Sanitary and Stormwater 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 Sanitary and Stormwater Authority.

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE O - CONCENTRATION OF CREDIT RISK**

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

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

**NOTE P - RISK MANAGEMENT**

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

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

**Plan Description**

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

**Funding Policy**

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

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

**UPPER MERION TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE R - PRIOR PERIOD RESTATEMENT**

**GASB Statement No. 84**

The Township implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

For the fiduciary fund custodial activities, the Township has treated the beginning of the year net position of \$1,704,244 as having been recognized in the period incurred. The Township has adjusted beginning net position for their fiduciary activities from \$0 to \$1,772,244.

Also, upon implementation, monies deposited with the Township for the employee scholarship program and for library improvements were reclassified out of fiduciary activities and into the Township's general fund. As a result, the Township adjusted beginning fund balance for the general fund from \$17,952,841 to \$18,147,633. Beginning net position for government-wide activities was adjusted from \$66,580,772 to \$66,775,564.

**NOTE S - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections and the collection of sewer charges. In addition, due to the economic uncertainty, future federal and state funding may be impacted. Overall, decreased funding could result in the Township having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have been in turmoil and could experience significant declines. These losses, if not regained, could have a detrimental impact on the value of investments held by the Township.

At this point, the extent to which COVID-19 will impact the Township's financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

**NOTE T - TRANSFER OF OPERATIONS**

In May 2019, Lafayette Ambulance & Rescue Squad ("Lafayette") ceased operations and the Township assumed the responsibility of providing emergency medical services to the residents and visitors in the Township. As part of the agreement, the Township accepted the transfer of assets from Lafayette as follows:

	Carrying Value
Cash and investments	\$ 1,511,329
Land	477,160
	<u>\$ 1,988,489</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Real estate taxes				
Current	\$ 5,553,566	\$ 5,553,566	\$ 5,468,033	\$ (85,533)
Prior	60,000	60,000	274,400	214,400
Delinquent	75,000	75,000	96,644	21,644
Interim	95,000	95,000	158,998	63,998
Delinquent 511 taxes	1,185,100	1,185,100	1,626,934	441,834
Real estate transfer tax	1,900,000	1,900,000	2,618,641	718,641
Amusement tax	388,000	388,000	403,264	15,264
Local services tax	2,147,775	2,147,775	2,162,717	14,942
Mercantile tax	4,300,000	4,300,000	4,526,758	226,758
Utilities tax	25,000	25,000	23,016	(1,984)
Business privilege tax	6,768,000	6,768,000	7,536,322	768,322
Grants	4,098,079	4,098,079	4,413,368	315,289
Fines	385,694	385,694	361,071	(24,623)
Investment income	200,000	200,000	359,835	159,835
Permits and fees	4,124,550	4,124,550	4,697,530	572,980
Reimbursements	2,715,706	2,715,706	2,055,721	(659,985)
Parks and recreation	1,662,750	1,665,750	1,808,098	142,348
Miscellaneous	215,812	215,812	336,120	120,308
TOTAL FORWARD	<u>35,900,032</u>	<u>35,903,032</u>	<u>38,927,470</u>	<u>3,024,438</u>
<b>EXPENDITURES</b>				
Operating				
Library	2,194,141	2,194,141	1,974,069	220,072
Insurance	4,183,321	4,183,321	3,679,781	503,540
Payroll taxes	1,030,067	1,030,067	993,057	37,010
Engineering expenses	45,000	45,000	32,300	12,700
TOTAL OPERATING	<u>7,452,529</u>	<u>7,452,529</u>	<u>6,679,207</u>	<u>773,322</u>
General government				
Salaries	1,959,144	1,959,144	1,746,985	212,159
Office expenses and supplies	296,174	296,174	240,019	56,155
Capital outlay	13,350	13,350	12,341	1,009
Repairs and maintenance	90,714	90,714	66,211	24,503
Travel expenses and seminars	39,300	39,300	33,362	5,938
Professional fees	666,800	666,800	641,862	24,938
Utilities	15,071	15,071	11,817	3,254
General expenses	537,422	537,422	462,675	74,747
TOTAL GENERAL GOVERNMENT	<u>3,617,975</u>	<u>3,617,975</u>	<u>3,215,272</u>	<u>402,703</u>
SUBTOTAL FORWARD	<u>\$ 11,070,504</u>	<u>\$ 11,070,504</u>	<u>\$ 9,894,479</u>	<u>\$ 1,176,025</u>

*Continued on next page.*

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES				
SUBTOTAL FORWARDED	\$ 11,070,504	\$ 11,070,504	\$ 9,894,479	\$ 1,176,025
Police, health and public safety				
Salaries	11,889,135	11,889,135	12,270,670	(381,535)
Materials and supplies	417,188	417,188	366,473	50,715
Repairs and maintenance	895,371	895,371	624,297	271,074
Fire expenses	2,430,561	2,430,561	2,246,714	183,847
Capital outlay	40,011	40,011	47,278	(7,267)
Utilities	102,569	102,569	70,526	32,043
Miscellaneous expenses	116,985	116,985	98,700	18,285
TOTAL POLICE, HEALTH AND PUBLIC SAFETY	15,891,820	15,891,820	15,724,658	167,162
Roads and parks				
Roads				
Salaries	219,756	219,756	174,433	45,323
Materials and supplies	84,500	84,500	77,433	7,067
Repairs and maintenance	1,331,148	1,337,148	1,385,644	(48,496)
General expenses	127,511	121,511	89,897	31,614
Street lighting	77,950	77,950	62,872	15,078
Snow removal	238,500	238,500	232,430	6,070
New tools and machinery	16,198	16,198	16,189	9
TOTAL ROADS	2,095,563	2,095,563	2,038,898	56,665
Parks				
Salaries	840,628	840,628	646,362	194,266
Materials and supplies	115,050	116,416	119,927	(3,511)
Repairs and maintenance	71,163	70,112	69,594	518
General administrative	200,100	199,785	195,065	4,720
Recreation expenses	3,477,597	3,480,597	3,056,904	423,693
Capital outlay	56,873	56,873	29,950	26,923
TOTAL PARKS	4,761,411	4,764,411	4,117,802	646,609
TOTAL ROADS AND PARKS	6,856,974	6,859,974	6,156,700	703,274
Police and employee pension cost				
Employee pension cost	446,200	446,200	419,478	26,722
Foreign Casualty Insurance Tax Grant				
Police pension cost	1,964,425	1,964,425	1,967,219	(2,794)
Employee pension cost	73,909	73,909	75,899	(1,990)
TOTAL POLICE AND EMPLOYEE PENSION COST	2,484,534	2,484,534	2,462,596	21,938
Planning and code enforcement				
Salaries	855,932	855,932	823,615	32,317
Materials and supplies	21,030	21,030	19,784	1,246
Repairs and maintenance	207,357	207,357	169,159	38,198
General administrative	79,193	79,193	31,739	47,454
TOTAL PLANNING AND CODE ENFORCEMENT	1,163,512	1,163,512	1,044,297	119,215
TOTAL FORWARD	\$ 37,467,344	\$ 37,470,344	\$ 35,282,730	\$ 2,187,614

*Continued on next page.*



**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
TOTAL FORWARDED	\$ 35,900,032	\$ 35,903,032	\$ 38,927,470	\$ 3,024,438
EXPENDITURES				
TOTAL FORWARDED	<u>37,467,344</u>	<u>37,470,344</u>	<u>35,282,730</u>	<u>2,187,614</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,567,312)</u>	<u>(1,567,312)</u>	<u>3,644,740</u>	<u>5,212,052</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	63,888	63,888
Interfund transfers in	40,000	40,000	235,898	195,898
Interfund transfers out	(3,325,235)	(3,325,235)	(3,459,351)	(134,116)
Budgetary reserve	<u>4,852,547</u>	<u>4,852,547</u>	<u>-</u>	<u>(4,852,547)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,567,312</u>	<u>1,567,312</u>	<u>(3,159,565)</u>	<u>(4,726,877)</u>
NET CHANGE IN FUND BALANCE	-	-	485,175	485,175
FUND BALANCE AT BEGINNING OF YEAR, restated*	<u>18,147,633</u>	<u>18,147,633</u>	<u>18,147,633</u> *	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 18,147,633</u>	<u>\$ 18,147,633</u>	<u>\$ 18,632,808</u>	<u>\$ 485,175</u>

*See accompanying notes to the budgetary comparison schedule.*

## UPPER MERION TOWNSHIP

### NOTES TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2019

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#### 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.

#### NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2019, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

##### POLICE, HEALTH AND PUBLIC SAFETY

Salaries	\$	381,535
Capital outlay		7,267

##### ROADS AND PARKS

Roads		
Repairs and maintenance	\$	48,496
Parks		
Materials and supplies	\$	3,511

##### POLICE AND EMPLOYEE PENSION COST

Police pension cost	\$	2,794
Employee pension cost		1,990

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

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**STATE HIGHWAY AID FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 830,340	\$ 830,340	\$ 846,121	\$ 15,781
Investment income	-	-	38,760	38,760
TOTAL REVENUES	<u>830,340</u>	<u>830,340</u>	<u>884,881</u>	<u>54,541</u>
EXPENDITURES				
Roads	<u>900,340</u>	<u>900,340</u>	<u>107,354</u>	<u>792,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(70,000)</u>	<u>(70,000)</u>	<u>777,527</u>	<u>847,527</u>
OTHER FINANCING SOURCES				
Budgetary reserve	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
NET CHANGE IN FUND BALANCE	-	-	777,527	777,527
FUND BALANCE AT BEGINNING OF YEAR	<u>1,058,924</u>	<u>1,058,924</u>	<u>1,058,924</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,058,924</u>	<u>\$ 1,058,924</u>	<u>\$ 1,836,451</u>	<u>\$ 777,527</u>

**UPPER MERION TOWNSHIP**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
**YEAR ENDED DECEMBER 31, 2019**

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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>
2015	6.98
2016	6.83
2017	6.90
2018	7.35
2019	6.76

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

	<u>Budget</u>	<u>Actual</u>
2015	\$ 681,429	\$ 525,570
2016	469,301	730,292
2017	355,533	205,313
2018	1,341,184	914,160
2019	880,340	36,630

**UPPER MERION TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 1,489,861	\$ 1,187,040	\$ 1,130,514	\$ 1,019,625	\$ 971,071	\$ 913,595
Interest	4,781,227	4,538,228	4,334,354	4,179,514	4,000,291	3,732,560
Differences between expected and actual experience	148,990	-	(613,569)	-	659,473	-
Changes of assumptions	832,372	-	106,456	-	749,511	-
Benefit payments	(3,047,595)	(2,999,025)	(2,946,902)	(2,787,950)	(2,771,289)	(2,760,679)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>4,204,855</b>	<b>2,726,243</b>	<b>2,010,853</b>	<b>2,411,189</b>	<b>3,609,057</b>	<b>1,885,476</b>
Total pension liability, beginning	59,766,566	57,040,323	55,029,470	52,618,281	49,009,224	47,123,748
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 63,971,421</b>	<b>\$ 59,766,566</b>	<b>\$ 57,040,323</b>	<b>\$ 55,029,470</b>	<b>\$ 52,618,281</b>	<b>\$ 49,009,224</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions						
Employer	\$ 342,330	\$ 413,944	\$ 262,109	\$ 886,088	\$ 438,474	\$ 521,861
State Aid	1,244,281	1,072,725	1,036,945	463,712	407,767	371,777
Member	352,294	315,127	276,031	258,564	252,703	228,342
Net investment income	13,511,043	1,242,455	8,071,546	2,405,854	408,087	1,871,518
Miscellaneous receipts	-	-	-	-	51,695	-
Benefit payments, including refunds of member contributions	(3,047,595)	(2,999,025)	(2,946,902)	(2,787,950)	(2,771,289)	(2,760,679)
Administrative expense	(17,035)	(9,900)	(17,900)	(9,900)	(15,300)	(36,252)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>12,385,318</b>	<b>35,326</b>	<b>6,681,829</b>	<b>1,216,368</b>	<b>(1,227,863)</b>	<b>196,567</b>
Plan fiduciary net position, beginning	51,273,848	51,238,522	44,556,693	43,340,325	44,568,188	44,371,621
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 63,659,166</b>	<b>\$ 51,273,848</b>	<b>\$ 51,238,522</b>	<b>\$ 44,556,693</b>	<b>\$ 43,340,325</b>	<b>\$ 44,568,188</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 312,255</b>	<b>\$ 8,492,718</b>	<b>\$ 5,801,801</b>	<b>\$ 10,472,777</b>	<b>\$ 9,277,956</b>	<b>\$ 4,441,036</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>99.5%</b>	<b>85.8%</b>	<b>89.8%</b>	<b>81.0%</b>	<b>82.4%</b>	<b>90.9%</b>
<b>COVERED PAYROLL</b>	<b>\$ 7,590,000</b>	<b>\$ 6,859,970</b>	<b>\$ 6,164,926</b>	<b>\$ 6,174,436</b>	<b>\$ 5,670,740</b>	<b>\$ 5,454,064</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>4.1%</b>	<b>123.8%</b>	<b>94.1%</b>	<b>169.6%</b>	<b>163.6%</b>	<b>81.4%</b>

**NOTES TO SCHEDULE**

*Changes of assumptions.* Assumption Changes - In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8% to 7.875% per annum.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER MERION TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,586,611	\$ 1,486,669	\$ 1,273,171	\$ 1,274,431	\$ 846,241	\$ 820,328
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>1,586,611</u>	<u>1,486,669</u>	<u>1,299,054</u>	<u>1,349,800</u>	<u>846,241</u>	<u>820,328</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(25,883)</u>	\$ <u>(75,369)</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>7,590,000</u>	\$ <u>6,859,970</u>	\$ <u>6,164,926</u>	\$ <u>6,174,436</u>	\$ <u>5,670,740</u>	\$ <u>5,454,064</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>20.90%</u>	<u>21.67%</u>	<u>21.07%</u>	<u>21.86%</u>	<u>14.92%</u>	<u>15.04%</u>

**NOTES TO SCHEDULE**

Valuation date:

January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Smoothing per Section 210(a) of Act 44
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.875%
Retirement age	50

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**UPPER MERION TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>26.35%</u>	<u>2.42%</u>	<u>18.12%</u>	<u>5.55%</u>	<u>0.94%</u>	<u>4.21%</u>

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## **SUPPLEMENTARY INFORMATION SECTION**



**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**SEWER REVENUE FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 8,290,283	\$ 8,290,283	\$ 8,544,623	\$ 254,340
Penalties	90,000	90,000	81,203	(8,797)
Other	-	-	70,753	70,753
TOTAL OPERATING REVENUES	<u>8,380,283</u>	<u>8,380,283</u>	<u>8,696,579</u>	<u>316,296</u>
OPERATING EXPENSES				
Administrative	3,092,238	3,092,238	1,347,239	1,744,999
Trout Run treatment plant	1,566,122	1,566,122	1,419,352	146,770
Pumping stations	1,455,725	1,455,725	1,289,708	166,017
Matsunk treatment plant	1,338,842	1,338,842	1,327,962	10,880
Contingencies	508,495	508,495	153,198	355,297
Depreciation	-	-	860,238	(860,238)
TOTAL OPERATING EXPENSES	<u>7,961,422</u>	<u>7,961,422</u>	<u>6,397,697</u>	<u>1,563,725</u>
OPERATING INCOME	<u>418,861</u>	<u>418,861</u>	<u>2,298,882</u>	<u>1,880,021</u>
NONOPERATING REVENUES				
Earnings on investments	<u>100,000</u>	<u>100,000</u>	<u>248,698</u>	<u>148,698</u>
TOTAL NONOPERATING REVENUES	<u>100,000</u>	<u>100,000</u>	<u>248,698</u>	<u>148,698</u>
INCOME BEFORE INTERFUND TRANSFERS	518,861	518,861	2,547,580	2,028,719
INTERFUND TRANSFERS	<u>(242,850)</u>	<u>(242,850)</u>	<u>(336,027)</u>	<u>(93,177)</u>
CHANGE IN NET POSITION	276,011	276,011	2,211,553	1,935,542
NET POSITION AT BEGINNING OF YEAR	<u>19,885,725</u>	<u>19,885,725</u>	<u>19,885,725</u>	<u>19,885,725</u>
NET POSITION AT END OF YEAR	<u>\$ 20,161,736</u>	<u>\$ 20,161,736</u>	<u>\$ 22,097,278</u>	<u>\$ 21,821,267</u>

**UPPER MERION TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL ACQUISITION FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Grants	\$ -	\$ -	\$ 636,469	\$ 636,469
Investment income	-	-	131,343	131,343
TOTAL REVENUES	-	-	767,812	767,812
EXPENDITURES				
Capital outlay	7,176,275	11,628,639	5,165,349	6,463,290
TOTAL EXPENDITURES	7,176,275	11,628,639	5,165,349	6,463,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,176,275)	(11,628,639)	(4,397,537)	7,231,102
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	162,600	5,238,001	5,075,401
Interfund transfers out	-	-	(888,439)	(888,439)
TOTAL OTHER FINANCING SOURCES (USES)	-	162,600	4,349,562	4,186,962
NET CHANGE IN FUND BALANCE BEFORE SPECIAL ITEM	(7,176,275)	(11,466,039)	(47,975)	11,418,064
Special item	-	-	1,988,489	1,988,489
NET CHANGE IN FUND BALANCE	(7,176,275)	(11,466,039)	1,940,514	13,406,553
FUND BALANCE AT BEGINNING OF YEAR	5,101,121	5,101,121	5,101,121	-
FUND BALANCE AT END OF YEAR	\$ (2,075,154)	\$ (6,364,918)	\$ 7,041,635	\$ 13,406,553

(1) The Township accepted the transfer of assets from Lafayette Ambulance & Rescue Squad as part of an agreement to provide emergency services to the communities previously served by Lafayette Ambulance and Rescue Squad.

**UPPER MERION TOWNSHIP**  
DESCRIPTION OF FUNDS  
YEAR ENDED DECEMBER 31, 2019

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**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, 2019

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#### ASSETS

Cash	\$	255,439
Investments		324,138
Taxes receivable, net		<u>22,411</u>

TOTAL ASSETS	\$	<u><u>601,988</u></u>
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#### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Due to other funds	\$	224,290
Accounts payable		13,217
Accrued salaries and benefits		12,793
Deferred revenue		<u>17,521</u>
TOTAL LIABILITIES		267,821

#### FUND BALANCE

Unreserved		<u>334,167</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>601,988</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, 2019

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#### REVENUES

Taxes	\$ 1,953,137
Grants	85,151
Fines and fees	17,975
Investment income	12,504
TOTAL REVENUES	<u>2,068,767</u>

#### EXPENDITURES

##### Direct

Salaries and wages	1,081,580
Books, periodicals and audio visual	196,263
Maintenance	341,176
Utilities	24,412
Telephone	2,435
Travel	374
Supplies	31,742
Advertising	6,275
Equipment rental	5,577
Other	6,375
TOTAL DIRECT	<u>1,696,209</u>

##### Indirect

Payroll taxes and benefits	318,993
TOTAL EXPENDITURES	<u>2,015,202</u>

EXCESS OF REVENUES OVER EXPENDITURES 53,565

#### OTHER FINANCING SOURCES (USES)

Interfund transfers out	<u>(34,068)</u>
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NET CHANGE IN FUND BALANCE 19,497

FUND BALANCE AT BEGINNING OF YEAR, restated 314,670

FUND BALANCE AT END OF YEAR \$ 334,167

**UPPER MERION TOWNSHIP**  
DESCRIPTION OF FUNDS  
OTHER GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019

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**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.

**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 are used to for capital projects relating to the Township building.

**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, 2019

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**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, 2019**

	Special Revenue Fund	Debt Service Funds				Capital Project Fund	Total Other Governmental Funds
	UMT Foundation Fund	Municipal Building Fund	Debt Service Fund	Capital Tax Fund	Park Capital Fund	Open Space Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 152,410	\$ 92,015	\$ -	\$ 121,679	\$ 131,761	\$ 574,988	\$ 1,072,853
Investments	-	1,022,011	-	564,181	131,908	-	1,718,100
Taxes receivable, net	-	1,973	-	5,347	1,899	4,189	13,408
<b>TOTAL ASSETS</b>	<b>\$ 152,410</b>	<b>\$ 1,115,999</b>	<b>\$ -</b>	<b>\$ 691,207</b>	<b>\$ 265,568</b>	<b>\$ 579,177</b>	<b>\$ 2,804,361</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 141,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,996
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue, property taxes	-	-	-	5,347	1,899	3,276	10,522
<b>FUND BALANCES</b>							
Restricted for							
Debt service	-	1,115,999	-	685,860	263,669	-	2,065,528
Assigned to capital projects	10,414	-	-	-	-	575,901	586,315
<b>TOTAL FUND BALANCES</b>	<b>10,414</b>	<b>1,115,999</b>	<b>-</b>	<b>685,860</b>	<b>263,669</b>	<b>575,901</b>	<b>2,651,843</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 152,410</b>	<b>\$ 1,115,999</b>	<b>\$ -</b>	<b>\$ 691,207</b>	<b>\$ 265,568</b>	<b>\$ 579,177</b>	<b>\$ 2,804,361</b>



# UPPER MERION TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND

## CHANGES IN FUND BALANCES

## OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2019

	Special Revenue Fund	Debt Service Funds			Capital Project Fund	Total Other Governmental Funds
	UMT Foundation Fund	Municipal Building Fund	Debt Service Fund	Capital Tax Fund	Park Capital Fund	
REVENUES						
Taxes	\$ -	\$ 20,704	\$ -	\$ 590,308	\$ 209,466	\$ 1,185,728
Investment income	80	23,567	-	21,598	6,315	64,509
TOTAL REVENUES	80	44,271	-	611,906	215,781	1,250,237
EXPENDITURES						
Debt service						
Interest	-	-	696,799	-	-	788,372
Principal	-	-	1,829,688	-	-	2,025,830
TOTAL EXPENDITURES	-	-	2,526,487	-	-	2,814,202
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80	44,271	(2,526,487)	611,906	215,781	(1,563,965)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	2,526,487	829	85,000	2,612,316
Transfers out	-	-	-	(1,158,284)	(422,629)	(1,580,913)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,526,487	(1,157,455)	(337,629)	1,031,403
NET CHANGE IN FUND BALANCES	80	44,271	-	(545,549)	(121,848)	(532,562)
FUND BALANCES AT BEGINNING OF YEAR	10,334	1,071,728	-	1,231,409	385,517	3,184,405
FUND BALANCE AT END OF YEAR	\$ 10,414	\$ 1,115,999	\$ -	\$ 685,860	\$ 263,669	\$ 2,651,843

**UPPER MERION TOWNSHIP**  
DESCRIPTION OF FUND  
CUSTODIAL FUND  
YEAR ENDED DECEMBER 31, 2019

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

**UPPER MERION TOWNSHIP**  
**SCHEDULE OF REAL ESTATE TAXES AND**  
**DISTRICT JUSTICE FINES**  
**YEAR ENDED DECEMBER 31, 2019**

	Assessed Valuation	Tax Levy at 2.159 Mills
REAL ESTATE TAXES		
Original assessment	\$ 3,244,897,518	\$ 7,005,749
Adjustments	<u>(937,471)</u>	<u>(2,024)</u>
ADJUSTED ORIGINAL ASSESSMENT	<u>\$ 3,243,960,047</u>	<u>7,003,725</u>
Cash collected		6,858,264
Discounts allowed		125,675
Penalties collected		<u>(29,805)</u>
FACE AMOUNT OF 2019 TAXES		<u>6,954,134</u>
2019 TAXES NOT COLLECTED AT JANUARY 15, 2020		\$ <u>49,591</u>
TOTAL OF LIEN LIST FILED WITH MONTGOMERY COUNTY ON JANUARY 15, 2020		\$ <u>49,591</u>
	District Justice Gallagher	District Justice Maruszcak
DISTRICT JUSTICE FINES		
Fines remitted to Upper Merion Township	<u>\$ 52,746</u>	<u>\$ 62,229</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.

<b><u>Category</u></b>	<b><u>Table #'s</u></b>
<b>Financial Trends</b> These tables contain trend information that may assist the reader in assessing the Township's current financial performance by placing it in historical perspective.	<b>1 - 6</b>
<b>Revenue Capacity</b> These tables contain information that may assist the reader in assessing the Township's most significant local revenue sources: property tax & the business/mercantile tax.	<b>7 - 12</b>
<b>Debt Capacity</b> These tables present information that may assist the reader in analyzing the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.	<b>13 - 18</b>
<b>Economic and Demographic Information</b> These tables offer economic and demographic indicators that are commonly used for financial analysis and that may assist the reader to understand the environment that the Township's financial activities operate in.	<b>19-20</b>
<b>Operating Information</b> These tables contain service and infrastructure data to assist the reader in understanding how the information in the Township's financial statements relates to the services the Township provides and the activities it performs.	<b>21-23</b>

**Sources:** Unless otherwise noted, the information in these tables is derived from the annual audited financial statements for the relevant year.

**TABLE 1****UPPER MERION TOWNSHIP****Net Position By Category (1)****Last Ten Fiscal Years**

(accrual basis of accounting)

(amounts in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental Activities</b>										
Net investment in capital assets	\$28,838	\$30,841	\$15,644	\$34,012	\$35,739	\$44,224	\$43,383	\$43,062	\$43,776	\$46,836
Restricted	0	5,932	6,563	6,181	6,336	9,195	5,230	6,367	6,988	11,507
Unrestricted	<u>38,509</u>	<u>32,346</u>	<u>42,193</u>	<u>23,146</u>	<u>20,444</u>	<u>5,888</u>	<u>12,725</u>	<u>15,468</u>	<u>15,816</u>	<u>14,776</u>
Total governmental activities net position	<u>\$67,347</u>	<u>\$69,119</u>	<u>\$64,400</u>	<u>\$63,339</u>	<u>\$62,519</u>	<u>\$59,307</u>	<u>\$61,338</u>	<u>\$64,897</u>	<u>\$66,580</u>	<u>\$73,119</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$2,952	\$3,167	\$4,396	\$5,718	\$7,266	\$7,940	\$7,512	\$7,173	\$6,602	\$6,186
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	<u>10,533</u>	<u>10,060</u>	<u>10,161</u>	<u>11,104</u>	<u>12,014</u>	<u>12,855</u>	<u>13,686</u>	<u>14,194</u>	<u>15,485</u>	<u>17,887</u>
Total business-type activities net position	<u>\$13,485</u>	<u>\$13,227</u>	<u>\$14,557</u>	<u>\$16,822</u>	<u>\$19,280</u>	<u>\$20,795</u>	<u>\$21,198</u>	<u>\$21,367</u>	<u>\$22,087</u>	<u>\$24,073</u>
<b>Primary Government</b>										
Net investment in capital assets	\$31,791	\$34,008	\$20,040	\$39,730	\$43,006	\$52,165	\$50,896	\$50,235	\$50,378	\$53,022
Restricted	0	\$5,932	\$6,563	\$6,181	\$6,336	\$9,195	\$5,230	\$6,367	\$6,988	\$11,507
Unrestricted	<u>49,041</u>	<u>42,406</u>	<u>52,354</u>	<u>34,250</u>	<u>32,457</u>	<u>18,743</u>	<u>26,411</u>	<u>29,662</u>	<u>31,301</u>	<u>32,663</u>
Total primary government net position	<u>\$80,832</u>	<u>\$82,346</u>	<u>\$78,957</u>	<u>\$80,161</u>	<u>\$81,799</u>	<u>\$80,103</u>	<u>\$82,537</u>	<u>\$86,264</u>	<u>\$88,667</u>	<u>\$97,192</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 position is 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 Position

## Last Ten Fiscal Years

(accrual basis of accounting)

(amounts in thousands)

<b>Expenses</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Governmental activities:										
Operating	\$6,022	\$6,247	\$6,389	\$6,583	\$6,866	\$7,738	\$6,505	\$6,872	\$6,729	\$6,822
General government	2,728	2,805	7,831	3,423	2,300	3,045	3,285	3,393	4,112	3,963
Police, health and public safety	10,074	10,861	10,921	10,920	11,301	11,448	11,795	12,510	13,591	16,789
Roads	2,901	2,879	2,855	4,223	3,871	3,622	3,834	3,402	4,384	3,671
Parks	2,164	2,295	2,564	2,344	2,271	2,804	4,406	5,024	5,046	5,007
Police and employee pension cost	916	1,034	998	1,159	1,360	2,636	3,069	2,316	2,687	1,638
Planning and code enforcement	1,084	1,244	1,124	1,134	1,176	1,193	1,222	1,342	1,364	1,072
Interest on long-term debt	555	511	712	669	830	880	964	931	854	940
Total governmental activities expenses	<u>26,444</u>	<u>27,876</u>	<u>33,394</u>	<u>30,455</u>	<u>29,975</u>	<u>33,366</u>	<u>35,080</u>	<u>35,790</u>	<u>38,767</u>	<u>39,902</u>
Business-type activities:										
Sewer	5,204	5,432	5,306	5,530	5,932	6,235	6,208	6,438	6,362	6,397
General Authority (2)	0	0	291	269	258	245	204	204	204	204
Total business-type activities expenses	<u>5,204</u>	<u>5,432</u>	<u>5,597</u>	<u>5,799</u>	<u>6,190</u>	<u>6,480</u>	<u>6,412</u>	<u>6,642</u>	<u>6,566</u>	<u>6,601</u>
Total primary government expenses	<u>\$31,648</u>	<u>\$33,308</u>	<u>\$38,991</u>	<u>\$36,254</u>	<u>\$36,165</u>	<u>\$39,846</u>	<u>\$41,492</u>	<u>\$42,432</u>	<u>\$45,333</u>	<u>\$46,503</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Operating	\$3,011	\$3,970	\$3,274	\$3,216	\$3,126	\$3,906	\$4,711	\$4,611	\$5,733	\$5,059
Police, health and public safety	507	589	506	619	469	685	749	803	953	1,794
Parks/Roads	752	798	896	854	906	893	1,797	1,436	1,861	1,808
Operating grants and contributions	2,366	4,208	3,124	3,869	3,764	3,994	4,924	4,364	4,716	5,896
Capital grants and contributions	0	0	0	655	0	0	0	0	0	1,508
Total governmental activities program revenues	<u>6,636</u>	<u>9,565</u>	<u>7,800</u>	<u>9,213</u>	<u>8,265</u>	<u>9,478</u>	<u>12,181</u>	<u>11,214</u>	<u>13,263</u>	<u>16,065</u>
Business-type activities:										
Charges for services:										
Sewer	5,742	5,658	6,050	6,444	6,997	7,315	7,234	7,073	7,776	8,629
General Authority (2)	0	0	652	648	646	1,285	0	0	0	0
Operating grants and contributions	0	0	0	333	0	0	0	0	33	0
Total business-type activities program revenues	<u>5,742</u>	<u>5,658</u>	<u>6,702</u>	<u>7,425</u>	<u>7,643</u>	<u>8,600</u>	<u>7,234</u>	<u>7,073</u>	<u>7,809</u>	<u>8,629</u>
Total primary government program revenues	<u>\$12,378</u>	<u>\$15,223</u>	<u>\$14,502</u>	<u>\$16,638</u>	<u>\$15,908</u>	<u>\$18,078</u>	<u>\$19,415</u>	<u>\$18,287</u>	<u>\$21,072</u>	<u>\$24,694</u>
<b>Net (expense)/revenue (1)</b>										
Governmental Activities	(\$19,808)	(\$18,311)	(\$25,594)	(\$21,242)	(\$21,710)	(\$23,888)	(\$22,899)	(\$24,576)	(\$25,504)	(\$23,837)
Business-type activities	538	226	1,105	1,626	1,453	2,120	822	431	1,243	2,028
Total primary government net expense	<u>(\$19,270)</u>	<u>(\$18,085)</u>	<u>(\$24,489)</u>	<u>(\$19,616)</u>	<u>(\$20,257)</u>	<u>(\$21,768)</u>	<u>(\$22,077)</u>	<u>(\$24,145)</u>	<u>(\$24,261)</u>	<u>(\$21,809)</u>

<b>General Revenues and Other Changes in Net Position</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Governmental activities:										
Taxes										
Property taxes	\$6,301	\$5,941	\$6,047	\$5,900	\$5,980	\$6,182	\$6,411	\$6,679	\$6,634	\$7,295
Amusement, local svc., opt., mercantile, business privilege, transfer and utilities taxes	11,910	12,444	13,743	14,096	14,945	16,607	16,434	19,043	18,433	19,100
Investment income	140	63	62	79	59	59	134	215	630	778
Contributions	50	54	40	3	42	3	53	51	0	0
Miscellaneous	812	918	889	691	790	1,565	1,019	688	715	598
Gain on sale of capital assets	127	162	0	35	65	75	11	134	46	64
Loss on disposal of assets	0	0	(45)	0	0	0	0	0	0	0
Special items	0	0	0	0	0	0	0	0	0	1,988
Transfers	222	500	431	(624)	(990)	626	454	310	730	358
Total governmental activities	<u>19,562</u>	<u>20,082</u>	<u>21,167</u>	<u>20,180</u>	<u>20,891</u>	<u>25,117</u>	<u>24,516</u>	<u>27,120</u>	<u>27,188</u>	<u>30,181</u>
Business-type activities:										
Investment income	45	16	14	15	13	22	36	70	184	249
Miscellaneous	0	0	0	0	0	0	0	0	0	67
Transfers	(222)	(500)	(431)	624	990	(626)	(454)	(310)	(731)	(358)
Total business-type activities	<u>(177)</u>	<u>(484)</u>	<u>(417)</u>	<u>639</u>	<u>1,003</u>	<u>(604)</u>	<u>(418)</u>	<u>(240)</u>	<u>(547)</u>	<u>(42)</u>
Total primary government	<u>\$19,385</u>	<u>\$19,598</u>	<u>\$20,750</u>	<u>\$20,819</u>	<u>\$21,894</u>	<u>\$24,513</u>	<u>\$24,098</u>	<u>\$26,880</u>	<u>\$26,641</u>	<u>\$30,139</u>
<b>Change in Net Position</b>										
Governmental activities	(\$246)	\$1,771	(\$4,427)	(\$1,062)	(\$819)	\$1,229	\$1,617	\$2,544	\$1,684	\$6,344
Business-type activities	<u>361</u>	<u>(258)</u>	<u>688</u>	<u>2,265</u>	<u>2,456</u>	<u>1,516</u>	<u>404</u>	<u>191</u>	<u>696</u>	<u>1,986</u>
Total primary government	<u>\$115</u>	<u>\$1,513</u>	<u>(\$3,739)</u>	<u>\$1,203</u>	<u>\$1,637</u>	<u>\$2,745</u>	<u>\$2,021</u>	<u>\$2,735</u>	<u>\$2,380</u>	<u>\$8,330</u>

Notes:

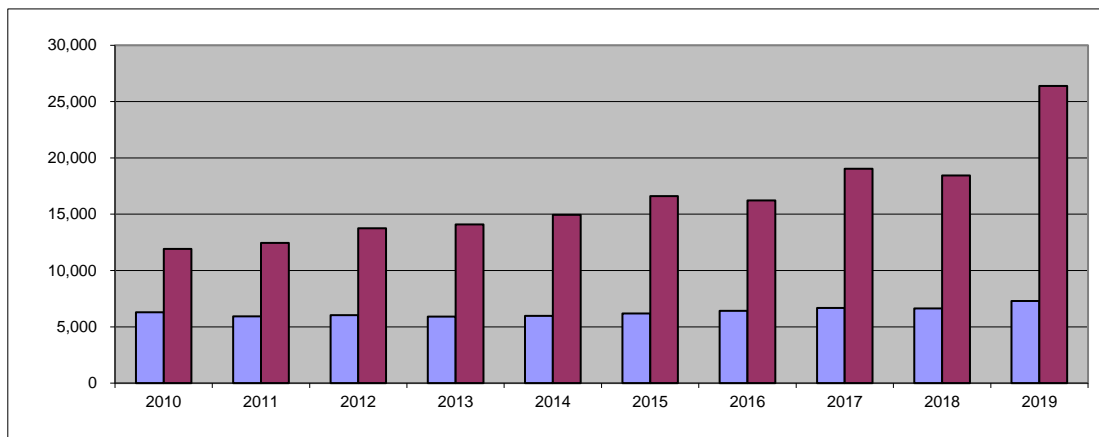
(1) Net (expense) revenue is the difference between expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers 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) 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.

**TABLE 3**

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Act 511 Taxes (1)</b>	<b>Total</b>
2010	6,301	11,910	18,211
2011	5,941	12,444	18,385
2012	6,047	13,743	19,790
2013	5,900	14,096	19,996
2014	5,980	14,945	20,925
2015	6,182	16,607	22,789
2016	6,411	16,235	22,646
2017	6,678	19,042	25,720
2018	6,634	18,433	25,067
2019	7,294	26,394	33,688

**Notes:**

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



# UPPER MERION TOWNSHIP

**TABLE 4**

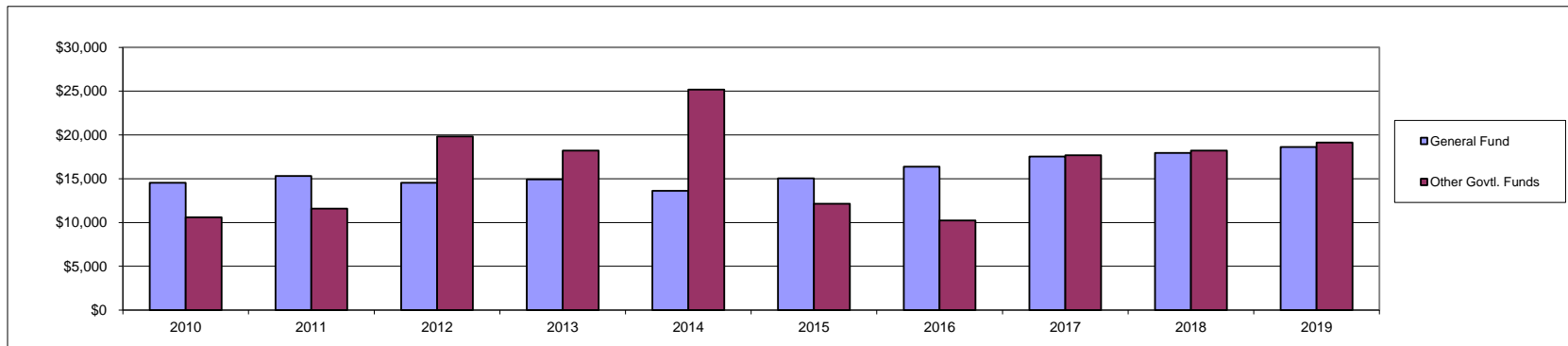
## Fund Balances of Governmental Funds

### Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts in thousands)

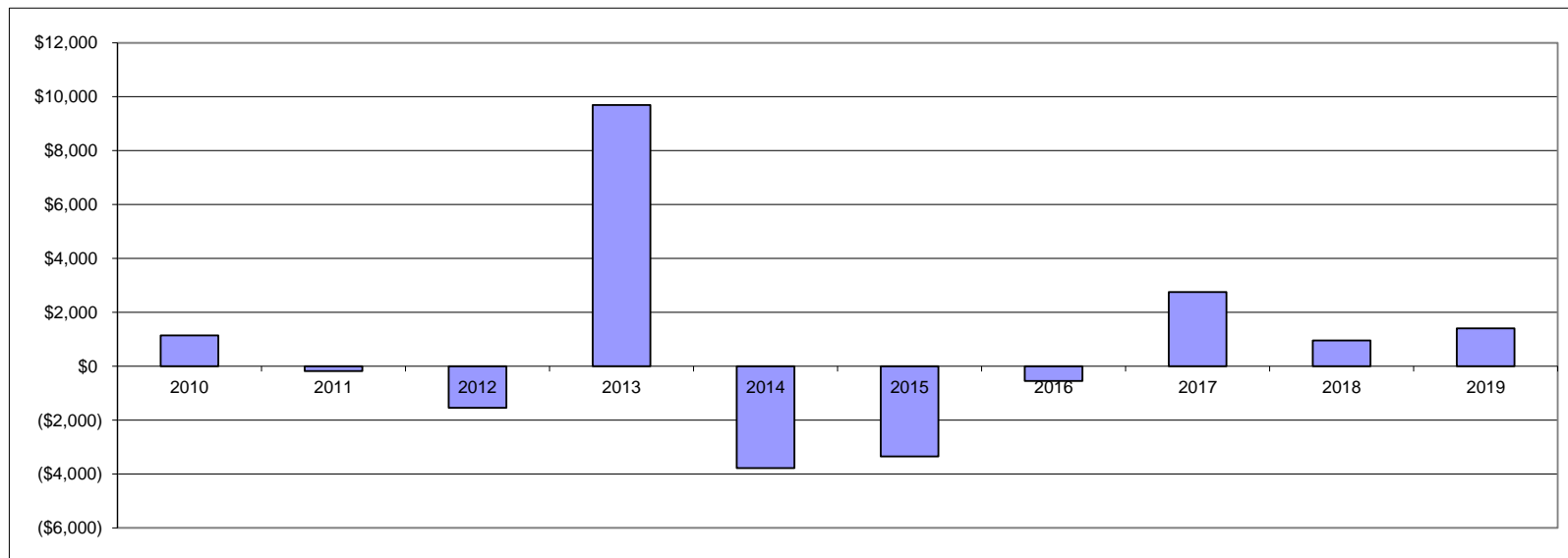
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund										
Non spendable	302	326	27	36	40	41	47	642	77	814
Committed	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Assigned	6,689	7,773	6,800	7,121	5,954	6,890	8,045	8,212	8,616	8,532
Unassigned	<u>5,557</u>	<u>5,220</u>	<u>5,715</u>	<u>5,760</u>	<u>5,638</u>	<u>6,119</u>	<u>6,281</u>	<u>6,675</u>	<u>7,260</u>	<u>7,287</u>
Total general fund	<u>\$14,548</u>	<u>\$15,319</u>	<u>\$14,542</u>	<u>\$14,917</u>	<u>\$13,632</u>	<u>\$15,050</u>	<u>\$16,373</u>	<u>\$17,529</u>	<u>\$17,953</u>	<u>\$18,633</u>
All other governmental funds										
Restricted, reported in:										
Fire apparatus fund	199	95	89	3,965	4,059	3,255	2,666	2,912	3,241	3,111
General obligation fund	483	436	8,585	7,356	14,325	4,108	0	6,065	5,634	4,495
Other governmental funds	5,450	5,932	6,564	2,306	2,275	1,834	2,565	3,455	3,747	3,901
Assigned, reported in:										
Capital acquisition fund	4,311	4,995	4,394	4,498	4,449	2,870	4,939	4,923	5,101	7,042
Other governmental funds	<u>150</u>	<u>133</u>	<u>198</u>	<u>100</u>	<u>82</u>	<u>72</u>	<u>74</u>	<u>334</u>	<u>496</u>	<u>586</u>
Total all other governmental funds	<u>\$10,593</u>	<u>\$11,591</u>	<u>\$19,830</u>	<u>\$18,225</u>	<u>\$25,190</u>	<u>\$12,139</u>	<u>\$10,244</u>	<u>\$17,689</u>	<u>\$18,219</u>	<u>\$19,135</u>
Total Fund Balances	\$25,141	\$26,910	\$34,372	\$33,142	\$38,822	\$27,189	\$26,617	\$35,218	\$36,172	\$37,768



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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues</b>										
Taxes	\$18,775	\$19,173	\$20,377	\$20,516	\$21,539	\$23,408	\$23,392	\$26,291	\$25,877	\$27,297
Grants	1,844	3,680	2,566	3,325	3,172	3,349	4,167	3,578	3,884	5,050
Fines	325	330	330	354	405	456	399	410	415	361
Investment income	140	63	62	79	59	59	133	215	630	778
Permits and fees	2,686	3,640	2,944	2,862	2,720	3,450	4,314	3,614	5,267	4,697
Reimbursements	838	963	827	912	852	1,092	1,292	1,235	1,432	1,380
Parks and recreation	690	778	809	820	859	875	1,226	1,398	1,612	1,808
Ambulance (1)	0	0	0	0	0	0	0	0	0	675
Miscellaneous	596	621	697	436	495	1,179	1,100	346	484	336
Total revenues	<u>25,894</u>	<u>29,248</u>	<u>28,612</u>	<u>29,304</u>	<u>30,101</u>	<u>33,868</u>	<u>36,023</u>	<u>37,087</u>	<u>39,601</u>	<u>42,382</u>
<b>Expenditures</b>										
Operating	5,801	6,000	6,161	6,410	6,721	7,542	6,402	6,696	6,615	6,679
General government	2,303	2,366	3,899	2,820	2,714	2,750	2,650	2,737	3,415	3,215
Police, EMS, health, and public safety (2)	9,061	9,670	9,891	9,970	10,459	10,578	10,920	11,493	12,713	15,725
Roads	1,865	1,832	1,853	3,265	2,829	2,415	2,509	1,982	2,908	2,146
Parks	2,138	2,240	2,398	2,333	2,269	2,783	3,440	4,082	4,280	4,118
Police and employee pension cost	916	1,034	998	1,160	1,360	1,417	1,850	1,880	2,207	2,463
Planning and code enforcement	1,059	1,208	1,109	1,125	1,163	1,161	1,198	1,300	1,337	1,044
Refund of Prior Year Revenues	0	282	43	0	0	0	0	0	0	0
Debt service										
Interest	206	517	617	620	806	907	862	775	859	788
Principal	140	795	955	1,178	1,272	1,972	1,430	1,450	1,725	2,030
Bond issue costs	65	74	110	93	126	0	114	127	0	125
Capital outlay	<u>1,915</u>	<u>3,010</u>	<u>3,669</u>	<u>1,090</u>	<u>3,693</u>	<u>14,678</u>	<u>5,898</u>	<u>2,494</u>	<u>3,374</u>	<u>5,165</u>
Total expenditures	<u>25,469</u>	<u>29,028</u>	<u>31,703</u>	<u>30,064</u>	<u>33,412</u>	<u>46,203</u>	<u>37,273</u>	<u>35,016</u>	<u>39,433</u>	<u>43,498</u>
Excess of revenues over (under) expenditures	425	220	(3,091)	(760)	(3,311)	(12,335)	(1,250)	2,071	168	(1,116)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Other financing sources (uses)</b>										
Transfers in	6,354	2,046	2,884	3,954	3,324	6,550	15,564	8,483	6,103	8,093
Transfers out	(5,794)	(2,722)	(2,384)	(3,523)	(3,949)	(7,542)	(14,937)	(8,029)	(5,373)	(7,757)
General obligation bonds issued (proceeds)	15,800	4,155	0	0	0	0	0	0	0	0
General obligation bonds refunded	6,590	0	0	0	0	0	0	0	0	0
Sale of capital assets	58	203	162	44	57	71	75	103	55	63
Debt service principal	(6,460)	(4,290)	0	0	0	0	0	0	0	0
Bond issuance	0	0	0	10,000	0	10,000	0	0	0	0
Payment to authorities	(15,783)	0	0	0	0	0	0	0	0	0
Bond discount	(43)	211	(1)	(22)	0	(89)	0	0	0	0
Note Issuance	0	0	810	0	0	0	0	0	0	0
Issuance of refunding bonds	0	0	4,610	0	6,405	0	0	8,210	0	9,600
Bond premium	0	0	0	0	328	0	0	131	0	398
Payment to refunded bond escrow agent	0	0	(4,532)	0	(6,635)	0	0	(8,220)	0	(9,867)
Total other financing sources (uses)	<u>722</u>	<u>(397)</u>	<u>1,549</u>	<u>10,453</u>	<u>(470)</u>	<u>8,990</u>	<u>702</u>	<u>678</u>	<u>785</u>	<u>530</u>
Special item (3)	0	0	0	0	0	0	0	0	0	1,988
Net change in fund balances	<u>\$1,147</u>	<u>(\$177)</u>	<u>(\$1,542)</u>	<u>\$9,693</u>	<u>(\$3,781)</u>	<u>(\$3,345)</u>	<u>(\$548)</u>	<u>\$2,749</u>	<u>\$953</u>	<u>\$1,402</u>
Debt service as a percentage of total non-capital expenditures	1.5%	5.0%	5.6%	6.2%	7.0%	9.1%	7.3%	6.8%	7.2%	7.4%



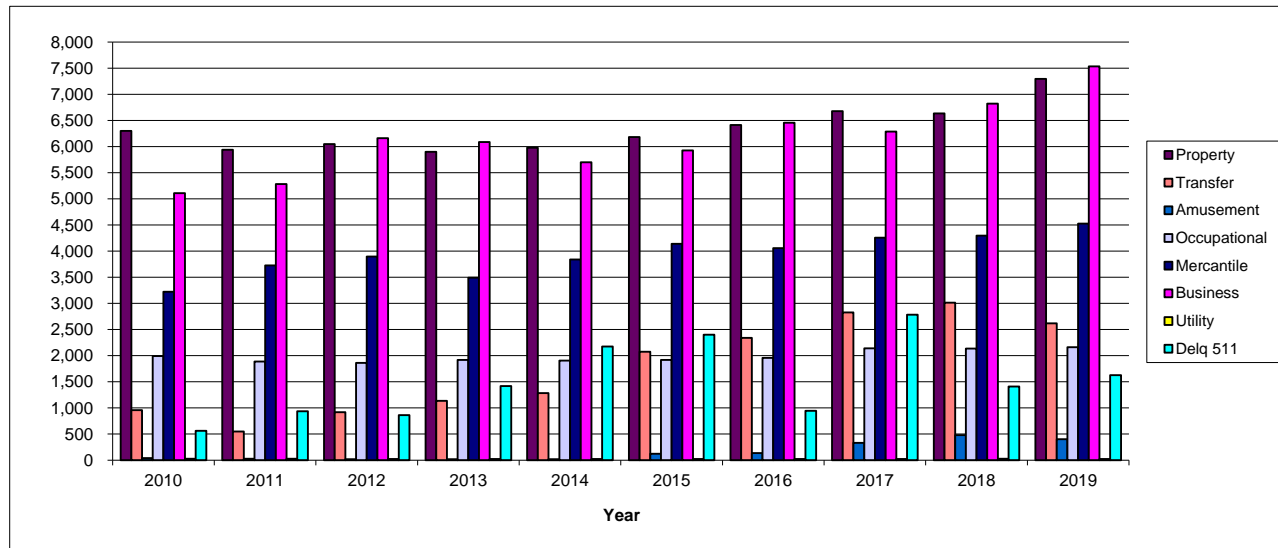
Notes:

- (1), (2) 2019- First year of "Ambulance" billing revenue as well as expenditure included under the heading of "Police, EMS, health, and public safety".  
 (3) 2019-The township accepted the transfer of assets from Lafayette Ambulance Squad to provide emergency service needs to the community.

TABLE 6

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

<b>Fiscal Year</b>	<b>Property Tax (1)</b>	<b>Transfer Tax</b>	<b>Amusement Tax</b>	<b>Local Svc. Tax</b>	<b>Mercantile Tax</b>	<b>Business Privilege Tax</b>	<b>Utility Tax</b>	<b>Delinquent Act 511 Taxes (2)</b>	<b>Total</b>
2010	6,301	959	39	1,991	3,224	5,110	26	561	18,211
2011	5,941	550	29	1,890	3,729	5,283	26	937	18,385
2012	6,047	920	20	1,860	3,895	6,159	25	864	19,790
2013	5,900	1,138	17	1,920	3,491	6,086	25	1,419	19,996
2014	5,980	1,284	17	1,905	3,839	5,699	25	2,176	20,925
2015	6,182	2,073	124	1,917	4,140	5,928	24	2,401	22,789
2016	6,411	2,342	136	1,959	4,059	6,456	25	947	22,335
2017	6,678	2,828	332	2,142	4,259	6,288	23	2,784	25,334
2018	6,634	3,015	478	2,137	4,295	6,820	26	1,408	24,813
2019	7,294	2,618	403	2,162	4,526	7,536	23	1,626	26,188



## Notes:

- (1) Includes current, prior, delinquent and interim collections for general, fire, library, capital, parks and open space millage.  
(2) Includes all delinquent collections for the amusement, local services, mercantile and business privilege taxes.

**TABLE 7**

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

<b>Fiscal Year Ended 12/31</b>	<b>Residential Property</b>	<b>Vacant Property</b>	<b>Industrial Property</b>	<b>Commercial Property</b>	<b>Institutional Property</b>	<b>Utility Property</b>	<b>Government Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Tax Millage Rate</b>	<b>Estimated Actual Taxable Value (2)</b>	<b>Assessed Value as a Percentage of Actual Value</b>
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%
2014	1,534,204,536	26,854,761	212,576,905	1,675,674,500	60,799,490	15,936,600	142,110,951	213,538,511	3,454,619,232	2.159	6,011,037,464	57.47%
2015	1,536,265,846	21,463,021	212,338,081	1,709,113,005	60,232,650	15,936,600	142,110,951	209,808,731	3,487,651,423	2.159	6,208,019,533	56.18%
2016	1,536,938,126	21,073,291	213,229,626	1,715,504,800	84,012,060	15,120,760	142,209,641	232,836,021	3,495,252,283	2.159	6,221,549,064	56.18%
2017	1,538,119,595	22,323,591	195,699,291	1,787,456,231	89,931,347	14,703,820	144,213,771	148,364,123	3,644,083,523	2.159	6,741,554,518	54.05%
2018	1,542,171,955	31,231,189	193,047,275	1,868,991,084	90,153,557	14,703,820	142,965,201	217,846,930	3,665,417,151	2.159	7,184,217,616	51.02%
2019	1,546,796,165	17,395,627	196,037,885	1,960,103,881	89,071,717	14,695,100	158,311,104	249,831,391	3,732,580,088	2.159	7,577,137,579	49.26%

**Notes:**

(1) Includes residential, vacant, industrial, commercial, and taxable institutional &amp; 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**

<b>Upper Merion Township</b>									<b>Overlapping Rates</b>		<b>Total Direct &amp; Overlapping Rates</b>
									<b>County</b>	<b>School District</b>	
<b><u>Fiscal Year</u></b>	<b><u>General Fund</u></b>	<b><u>Library Fund</u></b>	<b><u>Fire Apparatus Fund</u></b>	<b><u>Capital Fund</u></b>	<b><u>Park Equipment Fund</u></b>	<b><u>Municipal Building Fund</u></b>	<b><u>Open Space Fund</u></b>	<b><u>Total Township Millage</u></b>	<b><u>Total County Millage</u></b>	<b><u>Total School Millage</u></b>	
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
2014	1.045	0.508	0.096	0.155	0.055	0.205	0.095	2.159	3.152	18.360	23.671
2015	1.045	0.508	0.096	0.155	0.055	0.205	0.095	2.159	3.152	18.960	24.271
2016	1.045	0.508	0.096	0.155	0.055	0.205	0.095	2.159	3.459	18.960	24.578
2017	1.250	0.508	0.096	0.155	0.055	0.000	0.095	2.159	3.849	19.430	25.438
2018	1.250	0.508	0.096	0.155	0.055	0.000	0.095	2.159	3.849	19.890	25.898
2019	1.250	0.508	0.096	0.155	0.055	0.000	0.095	2.159	3.849	20.340	26.348

**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, 2019 and December 31, 2010**

<u><b>Taxpayer</b></u>	<b>December 31, 2019</b>	
	<u><b>Real Property Assessed Valuation</b></u>	<u><b>Percentage of Total Assessed Valuation</b></u>
1 King of Prussia Associates(Simon)	\$279,481,700	Commercial Real Estate-160 N Gulph Rd 7.49%
2 King of Prussia Associates	64,663,900	Commercial Real Estate-690 W Dekalb Pk 1.73%
3 Northwestern Mutual Life Ins. Co.	41,491,240	Residential/Commercial Real Estate-Indigo 301 1.11%
4 MCP Valley Forge Owner LLC	38,436,220	Commercial Real Estate-Village at VF 1.03%
5 LMC Properties Inc.	38,315,370	Commercial Real Estate-720 Arnold Rd 1.03%
6 The Lafayette at Valley Forge LP	34,672,500	Commercial Real Estate-967 Penn Circle 0.93%
7 KBF Assoc. L.P. (Kingswood Apts)	34,521,502	Residential Real Estate-600 S Gulph Rd 0.92%
8 Brandywine Operating Partners	32,591,450	Commercial Real Estate-600 N Gulph Rd 0.87%
9 Executive Offices & Suites LP (V.F. Suites)	31,522,690	Residential Real Estate-550-700 American Ave 0.84%
10 KCI Valley Forge Owner LLC	31,185,220	Commercial Real Estate-Swedeland Rd 0.84%
	<u><u>\$626,881,792</u></u>	<u><u>16.79%</u></u>
Total Assessed Valuation	<u><u>\$3,732,580,088</u></u>	

<u><b>Taxpayer</b></u>	<b>December 31, 2010</b>	
	<u><b>Real Property Assessed Valuation</b></u>	<u><b>Percentage of Total Assessed Valuation</b></u>
1 King of Prussia Associates	\$249,367,000	Commercial Real Estate-160 N Gulph Rd 7.15%
2 Smithkline Beecham	118,583,020	Commercial Real Estate-Swedeland Rd 3.40%
3 Segal Robert M.	63,411,075	Commercial Real Estate-690 Dekalb 1.82%
4 Lockheed Martin Corp.	61,175,370	Commercial Real Estate-600 N Gulph 1.75%
5 Executive Office & Suites (V.F. Suites)	34,250,000	Commercial Real Estate-230 Mall 0.98%
6 Brandywine Operating Partners	32,491,450	Commercial Real Estate-640 W Dekalb Pk 0.93%
7 KBF Assoc. L.P. (Kingswood Apts)	31,312,020	Residential Real Estate-600 S Gulph 0.90%
8 PS Court Associates L.P.	28,000,000	Residential Real Estate-475 American 0.80%
9 JEG Assoc. Ltd. Partnership (Valley View Apts)	26,670,000	Residential Real Estate-600 S Gulph 0.76%
10 Liberty Property L.P.	24,785,290	Commercial Real Estate-2301 Renaissance Blvd. 0.71%
	<u><u>\$670,045,225</u></u>	<u><u>19.20%</u></u>
Total Assessed Valuation	<u><u>\$3,489,542,941</u></u>	

**TABLE 10**

**UPPER MERION TOWNSHIP**  
**Business Privilege & Mercantile Tax (1) Paid Filers by Type (2)**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Business Privilege Tax Types</b>					<b>Mercantile Tax Types</b>						<b>Total All Types</b>
	<b><u>Service</u></b>	<b><u>Hotels</u></b>	<b><u>Commercial Rents</u></b>	<b><u>Residential Rents</u></b>	<b><u>Contractors</u></b>	<b><u>Retail Sales</u></b>	<b><u>Restaurant</u></b>	<b><u>Wholesale</u></b>	<b><u>Mixed</u></b>	<b><u>Transients (2)</u></b>	<b><u>Corp/Admin Offices (2)</u></b>	
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	576	512	79	38	18	5	22	2,757
2013	1,130	14	289	212	1,021	499	83	38	13	5	26	3,330
2014	1,246	18	296	236	940	466	96	42	15	5	21	3,381
2015	1,404	16	307	247	934	503	109	40	20	1	25	3,606
2016	1,435	14	321	252	958	499	106	40	23	1	20	3,669
2017	1,509	13	320	265	948	537	127	35	19	2	23	3,798
2018	1,638	12	329	297	938	517	130	34	22	3	20	3,940
2019	1,788	14	347	327	807	520	131	36	26	5	23	4,024

**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) 2010-2011 reflects data for total filers not necessarily paid. 2012-current reflects data for current filers paid.

Source: Upper Merion Township Business Tax Collector



## UPPER MERION TOWNSHIP

**Ranking of Top Ten Business Privilege & Mercantile Tax Payers (1)  
December 31, 2019 and December 31, 2010**

**December 31, 2019**

<b><u>Name</u></b>	<b><u>Rank</u></b>
Lockheed Martin Corp.	1
CSL Behring LLC	2
Medrisk	3
King of Prussia Associates	4
Costco Wholesale	5
Wegmans	6
Pershing LLC	7
Radial	8
Renewal by Anderson	9
Card Connect	10

Combined percentage, of the top ten businesses, account for 18.13% of total business privilege and mercantile taxes.

**December 31, 2010**

<b><u>Name</u></b>	<b><u>Rank</u></b>
Lockheed Martin Corp.	1
GSI Commerce Solutions Inc.	2
PNC Global Investment Servicing	3
Costco Wholesale	4
Execupharm Inc.	5
Suburban Medical Services Inc.	6
King of Prussia Associates	7
Fidelity Investments	8
Yellow Book of PA Inc.	9
Nordstrom	10

Combined percentage, of the top ten businesses, account for 22.37% of total business privilege and mercantile taxes.

Notes:

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

Source: Upper Merion Township Business Tax Collector

**TABLE 12**

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

<b>Property Tax</b>								<b>Business &amp; Mercantile Tax</b>
<b>Fiscal Year 12/31</b>	<b>Levied for the Fiscal Year (1),(3)</b>	<b>Collections for the Fiscal Year (1)</b>	<b>Collections for the Fiscal Year as a % of Levy</b>	<b>Collections in Subsequent Years</b>	<b>Adjusted Levy for the Fiscal Year</b>	<b>Total Collections To Date</b>	<b>Total Collections To Date as a % of Levy</b>	<b>Taxes Collected for the Fiscal Year (2)</b>
2010	6,421,230	6,301,000	98.1%	109,298	6,530,528	6,410,298	98.2%	8,806,670
2011	6,374,779	5,941,268	93.2%	52,601	6,427,380	5,993,869	93.3%	9,265,042
2012	6,210,952	6,046,920	97.4%	89,189	6,300,141	6,136,109	97.4%	10,633,495
2013	6,312,422	5,900,213	93.5%	61,220	6,373,642	5,961,433	93.5%	10,633,495
2014	6,363,882	5,980,968	94.0%	91,229	6,455,111	6,072,197	94.1%	11,404,180
2015	6,439,414	6,182,011	96.0%	80,686	6,520,100	6,262,697	96.1%	12,159,835
2016	6,469,117	6,411,524	99.1%	75,102	6,544,219	6,486,626	99.1%	11,463,245
2017	6,797,158	6,678,706	98.3%	58,324	6,855,482	6,737,030	98.3%	13,332,036
2018	6,807,396	6,633,523	97.4%	70,518	6,877,914	6,704,041	97.5%	12,524,036
2019	7,341,066	7,294,937	99.4%	79,472	7,420,538	7,374,409	99.4%	13,690,014

**Notes:**

(1) Includes all Township millages.

(2) Includes current and delinquent collections for the Business Privilege and Mercantile taxes for current fiscal period.

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**

<u>Governmental Activities (1)</u>				<u>Business-Type Activities (1)</u>				
				<u>General Authority</u>				
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Note Payable (2)</u>	<u>Deferred Amount (5)</u>	<u>Note Payable (2)</u>	<u>Deferred Amount (6)</u>	<u>Total Primary Government</u>	<u>Percentage of Median Household Income (3),(4)</u>	<u>Per Capita (3)</u>
2010	25,405,000	0	34,218	3,555,000	0	28,994,218	\$363	\$1,021
2011	23,230,000	810,800	131,697	3,010,000	93,639	27,276,136	\$377	\$957
2012	33,180,000	735,474	79,162	2,440,000	74,911	36,509,547	\$482	\$1,278
2013	30,000,000	658,924	376,515	1,850,000	56,183	32,941,622	\$439	\$1,151
2014	36,500,000	658,924	227,699	1,250,000	37,455	38,674,078	\$535	\$1,350
2015	30,320,000	0	168,299	0	0	30,488,299	\$418	\$1,066
2016	28,965,000	0	253,788	0	0	29,218,788	\$361	\$1,020
2017	33,675,000	0	283,891	0	0	33,958,891	\$396	\$1,118
2018	31,950,000	0	248,391	0	0	32,198,391	\$352	\$1,037
2019	29,670,000	0	659,483	0	0	30,329,483	\$322	\$918

## 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) See Table 19 for population and median household income data.  
(4) Data expressed in dollar amounts.  
(5) Deferred amount is the net of the issuance discount and issuance premium.

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

**TABLE 14**

**Upper Merion Township**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds (1)</b>	<b>Less: Amounts Available in Debt Service Fund (2)</b>	<b>Restricted (3)</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (4)</b>	<b>Per Capita (5)</b>
2015	30,488,299	0	0	30,488,299	0.49%	\$1,065
2016	29,218,788	0	2,169,735	27,049,053	0.40%	\$891
2017	33,958,891	0	2,421,169	31,537,722	0.44%	\$1,038
2018	32,198,391	0	2,688,654	29,509,737	0.41%	\$950
2019	30,329,483	0	2,065,528	28,263,955	0.37%	\$856

Notes: Details regarding the Township's outstanding debt can be found in the notes to the financial statements.  
2015 is the first fiscal year of reporting information in this chart.

(1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums

(2) This is the amount restricted for debt service principal payments.

(3) Restricted for debt service.

(4) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property in Chart 7 for property value data.

(5) Population data can be found in the Schedule of Demographic and Economic Statistics in chart 19.

TABLE 15

# Upper Merion Township

## Computation of Direct and Overlapping (1) Debt December 31, 2019

Jurisdiction	Total Debt Outstanding	Percentage Applicable to the Township(2)	Amount Applicable to the Township
<b>Direct Debt:</b>			
Upper Merion Township:			
General Obligation Debt	\$29,670,000	100.0%	\$29,670,000
Deferred Amount (3)	\$659,483	100.0%	\$659,483
<i>Total Direct Debt</i>	<u>\$30,329,483</u>		<u>\$30,329,483</u>
<b>Overlapping Debt:</b>			
Upper Merion Area School District	90,860,000	88.4%	80,318,648
Montgomery County	<u>587,789,012</u>	5.7%	<u>33,772,165</u>
<i>Total Overlapping Debt</i>	678,649,012		114,090,813
<b>Total Obligations.....</b>			<u><u>144,420,296</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.

(3) Deferred amount is the net of the issuance discount and issuance premium.

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

**TABLE 16**

**Upper Merion Township**  
**Computation of Borrowing Base (Unaudited) (1)**  
**As of 12/31/19**

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Revenues Received..... (From all Sources)	\$46,736,689	\$48,622,121	\$52,664,122
Deduct:			
Project Revenues, Receipts			
Assessments, Etc., Pledged			
for Self Liquidating Debt			
Lease Payments, etc.....	53,286	141,979	219,063
Interest on Moneys in Sinking			
Funds, Reserves and Other Funds			
and Interest on Bond Proceeds.....	14,990	106,197	113,830
Grants & Gifts-In-Aid.....	4,364,671	4,747,646	7,404,365
Non-Recurring Receipts.....	<u>2,648,561</u>	<u>4,318,694</u>	<u>1,656,906</u>
Subtotal Adjusted Revenues.....	\$39,655,181	\$39,307,605	\$43,269,958
Total Revenues Adjusted, Three Years Ended December 31, 2019.....			\$122,232,744
Borrowing Base = Total Revenues Adjusted (divided by 3)			\$40,744,248 <b>(2)</b>

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 12/31/19**

	Net Electoral/ Nonelectoral Debt (Borrowing Base x 250%)	Net Electoral/ Nonelectoral Debt and Lease Rental Debt (Borrowing Base x 350%)
Gross Borrowing Capacity (1).....	\$101,860,620.00	\$142,604,868
Non-Electoral Debt		
General Obligation Bonds-Series of 2013.....	3,115,000	3,115,000
General Obligation Bonds-Series of 2014.....	125,000	125,000
General Obligation Bonds-Series of 2016.....	7,615,000	7,615,000
General Obligation Bonds-Series of 2017.....	9,220,000	9,220,000
General Obligation Bonds-Series of 2019.....	9,595,000	9,595,000
Remaining Borrowing Capacity.....	<u>\$72,190,620</u>	<u>\$112,934,868</u>

Notes:

(1) See calculation in Table 16.

Source: Upper Merion Township Financial Statements

**TABLE 18****UPPER MERION TOWNSHIP****Legal Debt Margin Information****Last Ten Fiscal Years**

(amounts in thousands)

	<b>Fiscal Year</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Debt limit (1)	\$98,743	\$103,098	\$115,744	\$110,750	\$113,647	\$121,195	\$129,058	\$135,745	\$136,748	\$142,604
Total net debt applicable to limit	<u>28,960</u>	<u>27,050</u>	<u>36,355</u>	<u>32,508</u>	<u>41,261</u>	<u>30,320</u>	<u>29,218</u>	<u>33,958</u>	<u>32,198</u>	<u>30,329</u>
Legal debt margin	<u>\$69,783</u>	<u>\$76,048</u>	<u>\$79,389</u>	<u>\$78,242</u>	<u>\$72,386</u>	<u>\$90,875</u>	<u>\$99,840</u>	<u>\$101,787</u>	<u>\$104,550</u>	<u>\$112,275</u>
Total net debt applicable to limit as a percentage of debt limit	29.3%	26.2%	31.4%	29.4%	36.3%	25.0%	22.6%	25.0%	23.5%	21.3%

## Notes:

(1) Debt limit based on calculations from information in table 17. 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**

<b>Fiscal Year</b>	<b><u>Population</u> (2)</b>	<b>Avg. Household Size</b>	<b>Median Age</b>	<b>% of Population with Bachelors Degree or Higher</b>	<b>Median Household Income</b>	<b><u>Unemployment</u> Rate</b>	<b>Public School Enrollment</b>
2010	28,395	2.3	39.4	60.1%	79,977	6.0%	3,788
2011	28,500	2.4	39.4	56.4%	72,357	5.6%	3,791
2012	28,573	2.3	39.8	52.6%	75,787	5.4%	3,963
2013	28,625	2.3	40.0	53.6%	75,025	5.0%	4,000
2014	28,638	2.3	39.1	52.6%	72,328	4.0%	4,005
2015	28,591	2.3	38.8	54.5%	72,942	3.6%	4,016
2016	28,640	2.4	39.1	55.8%	80,829	3.6%	4,016
2017	30,374	2.4	40.3	56.8%	85,676	3.3%	3,985
2018	31,056	2.4	40.7	58.6%	91,515	2.9%	4,057
2019	33,027	2.4	39.5	60.3%	94,081	3.1%	4,177

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

2011-2014-are estimates from the PA State Data Center. 2015 is an estimate from the Delaware Valley Regional Planning Commission.

2016-2019-are estimates provided by the U.S. Census Bureau.

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

**Table 20****Upper Merion Township****10 Largest Employers (Unaudited)  
Current Year (1) and Nine Years Ago**

<b>2019</b>			<b>2010</b>		
<b><u>Business Name</u></b>	<b><u>Employees</u></b>	<b><u>% of Total Township Employment</u></b>	<b><u>Business Name</u></b>	<b><u>Employees</u></b>	<b><u>% of Total Township Employment</u></b>
1 Lockheed Martin	2,636	4.3%	1 Lockheed Martin	3,568	6.4%
2 US Liability Insurance Co.	1,043	1.7%	2 GlaxoSmithKline	2,732	4.9%
3 CSL Behring LLC	1,011	1.6%	3 GSI Commerce Solutions	991	1.8%
4 GlaxoSmithKline	927	1.5%	4 PFPC, Inc.	853	1.5%
5 Valley Forge Colonial LTD	725	1.2%	5 Upper Merion Area School Distr.	691	1.2%
6 Medrisk	710	1.1%	6 US Liability Insurance Co.	655	1.2%
7 Arkema	663	1.1%	7 Yellow Book of PA	648	1.2%
8 Amazon.com Services Inc	660	1.1%	8 Matrix LLC	530	1.0%
9 Upper Merion Area School Distr.	655	1.1%	9 Nordstrom	486	0.9%
10 Phila. Media Newspapers Inc.	<u>640</u>	<u>1.0%</u>	10 Broadview Networks	<u>469</u>	<u>0.8%</u>
Total	9,670	15.6%	Total	11,623	21.3%

**Notes:**

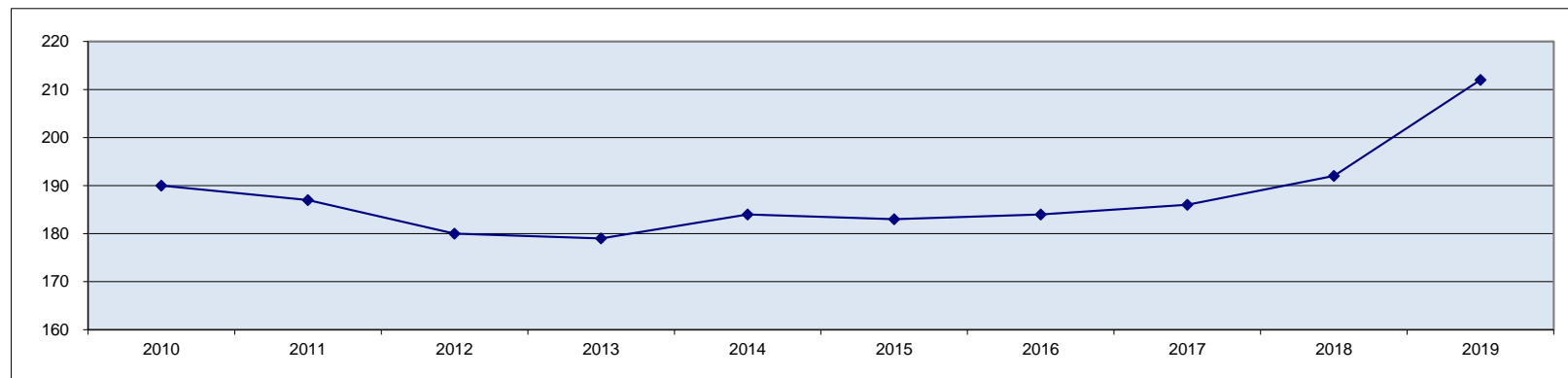
(1) \$12,000 income exemption beginning in 2008. Employee count reflects only those above the exemption and that actually filed/paid the tax.

Source: Upper Merion Township Business Tax Collector

# UPPER MERION TOWNSHIP

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government (Admin. & I.T.)	23	23	23	23	23	23	23	24	24	25
Public Safety										
Police										
Officers	64	64	64	64	64	64	66	67	68	70
Civilians	20	19	18	17	16	16	16	16	17	17
Fire & EMS	0	0	0	0	0	0	0	0	4	21
Codes Enforcement	11	11	10	10	10	10	10	10	10	7
Public Works										
Administration	7	7	5	5	5	4	4	4	4	4
Planning	4	3	2	2	2	2	2	2	2	2
Transportation (includes equipment operators)	14	14	13	13	13	13	13	13	13	14
Park/Shade Tree	8	8	8	8	7	7	7	7	7	7
Building Maintenance	2	2	2	2	2	2	2	2	2	3
Vehicle Maintenance	3	3	3	3	2	2	2	2	2	3
Wastewater (Sewer)	21	20	20	20	19	19	18	18	18	19
Culture and Recreation										
Park & Recreation	2	2	2	2	11	11	11	11	11	10
Library	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total	<u>190</u>	<u>187</u>	<u>180</u>	<u>179</u>	<u>184</u>	<u>183</u>	<u>184</u>	<u>186</u>	<u>192</u>	<u>212</u>



## Notes:

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

Source: Township Finance Office

**TABLE 22****UPPER MERION TOWNSHIP****Operating Indicators by Function  
Last Ten Fiscal Years**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General Government</b>										
Reception incoming calls	13,411	11,923	11,704	8,010	9,841	9,872	9,554	10,226	11,872	12,480
Tax returns received	10,515	11,217	11,303	13,329	13,838	14,275	15,394	14,664	16,493	14,874
<b>Public Safety</b>										
<i>Police</i>										
Traffic citations	1,460	1,792	1,558	1,625	1,810	1,666	1,268	1,207	1,642	1,771
Traffic crash reports (accidents)	1,663	1,689	1,715	1,667	1,704	1,714	1,887	1,875	1,943	1,963
Retail theft	783	763	713	543	491	606	500	486	524	586
Alarms	2,543	2,526	2,510	2,472	2,673	2,402	2,577	2,625	2,745	2,583
<i>Safety and Codes Enforcement</i>										
Total of All Permits Issued	1,719	1,937	1,775	2,170	1,891	2,207	3,467	2,131	2,848	3,063
<b>Public Works</b>										
<i>Transportation</i>										
Tons of leaves collected	1,014	1,674	1,594	1,541	1,542	1,359	1,953	798	1,818	455
Street patching man hours	4,604	6,717	6,102	6,409	6,355	6,651	6,783	5,031	1,955	1,323
<i>Park/Shade Tree</i>										
Tons of material composted	4,215	4,694	4,506	4,144	3,125	2,692	3,436	4,466	2,279	5,853
<i>Wastewater (Sewer)</i>										
Gallons of wastewater treated (in millions)	2,208	2,284	1,974	1,983	2,227	1,889	1,895	1,228	2,708	2,312
<b>Culture and Recreation</b>										
<i>Park &amp; Recreation</i>										
# of participants for all programs	6,444	6,119	5,503	6,414	6,169	6,562	6,672	20,027	57,170	66,556
<i>Library</i>										
Circulation for all materials	212,166	218,546	218,520	222,528	224,213	221,224	198,468	199,743	198,086	224,711

Source: Upper Merion Township departmental statistic reports.

TABLE 23

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General Government</b>										
Square footage occupied	5,913	5,913	5,913	5,913	5,913	5,913	4,913	4,913	4,913	4,913
<b>Public Safety</b>										
<i>Police</i>										
Square footage occupied	15,007	15,007	15,007	15,007	15,007	15,007	16,007	16,007	16,007	16,007
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	6	6	6	6	6	6	7	7	7	7
<b>Public Works</b>										
<i>Administration</i>										
Square footage occupied	1,147	1,147	1,147	1,147	1,147	1,147	1,147	1,147	1,147	1,147
<i>Transportation</i>										
Total Miles of roads/streets	83.89	83.89	83.89	83.89	83.89	83.89	83.89	83.89	83.89	83.89
Traffic Signals	70	70	70	70	70	70	70	70	74	75
<i>Park/Shade Tree</i>										
Number of park maintenance equipment	17	17	17	17	17	17	17	17	17	17
<i>Wastewater (Sewer)</i>										
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Pumping stations	12	12	12	12	12	12	12	12	12	12
Miles of sanitary sewer	123.62	123.62	123.62	123.62	123.62	123.62	123.62	123.62	123.62	123.62
<b>Culture and Recreation</b>										
<i>Park &amp; Recreation</i>										
Square footage occupied	1,000	1,000	1,000	1,000	1,000	1,000	70,000	70,000	70,000	70,000
Park acreage	446.66	446.66	446.66	446.66	446.66	446.66	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	139,432	141,077	143,054	151,934	140,580	143,766	150,330	121,910	127,949	131,848

Source: Various Township departments.

